

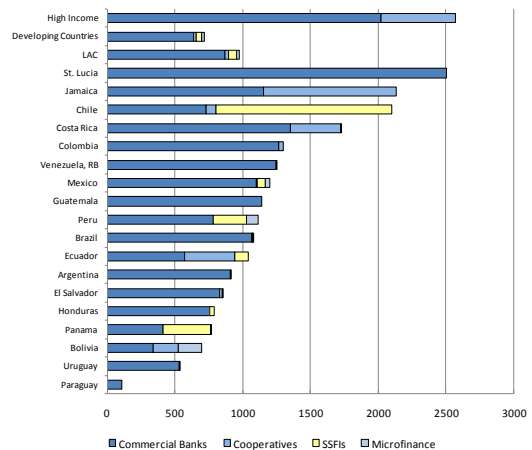
**DEPOSIT SERVICES & FINANCIAL INCLUSION**

**Deposit Account Penetration.** In Latin America and the Caribbean (LAC) there are 865 bank accounts per 1,000 adults, compared with 635 bank accounts per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of deposit account penetration, from 108 bank accounts per 1,000 adults in Paraguay, to over 1,500 bank accounts per 1,000 adults in off-shore financial centers, such as St. Lucia. Average deposit size per capita is higher in LAC (at 60 percent) than in high-income countries but not as high as the average for developing countries, indicating that the banking sector serves a relatively broad range of clients.

LAC had a higher median growth rate in the number of accounts per 1,000 adults than both high-income and developing countries. However, LAC countries start from a relatively low base—Paraguay and Bolivia had the largest growth, at 36 percent and 23 percent, respectively. Most deposits are held in commercial banks in all reporting LAC countries, except for Chile, where more deposit accounts are in specialized state financial institutions (SSFIs). Peru and Panama also have a significant proportion of deposit accounts in SSFIs. In Costa Rica, Ecuador, and Bolivia, a significant proportion of deposit accounts are held in cooperatives and credit unions. Bolivia and Peru have the largest microfinance sectors in the region.



**Number of deposit accounts per 1,000 adults**



**Financial Inclusion Mandates—Role of the Main Financial Regulator.**

Consumer protection and financial literacy are the two areas of the financial inclusion agenda that most frequently fall under the responsibility of the financial regulator in LAC.

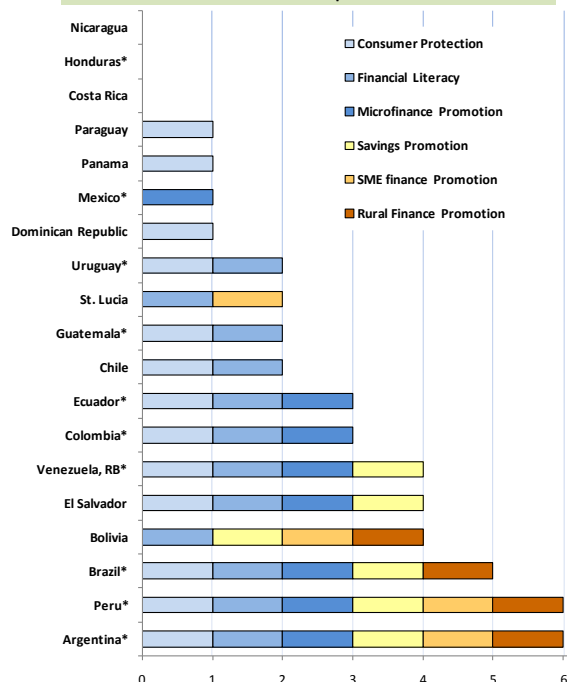
Regulators in 65 percent of the LAC countries reporting to *Financial Access 2010* are responsible for consumer protection issues. Regulators in 60 percent of the LAC countries reporting are responsible for financial literacy—a higher percentage than in any other region except for East Asia and the Pacific and South Asia. Promoting microfinance activities also scores high for LAC.

Only six out of the 20 LAC regulators report being responsible for promoting savings, four for facilitating small and medium enterprise (SME) financing, and four for promoting rural financing (more promotion of inclusion activities).

Where the main financial regulator has a strategy document for financial inclusion, more topics tend to fall under the regulator’s purview, and there are more resources dedicated to carrying out those mandates.

The average number of reforms in LAC in 2008-09 was 4.5 out of a maximum of 10, which is higher than the high-income OECD (Organisation for Economic Co-operation and Development) average, but lower than South Asia, East Asia and the Pacific, and Sub-Saharan Africa.

**The main financial regulator is responsible for the following financial inclusion topics:**



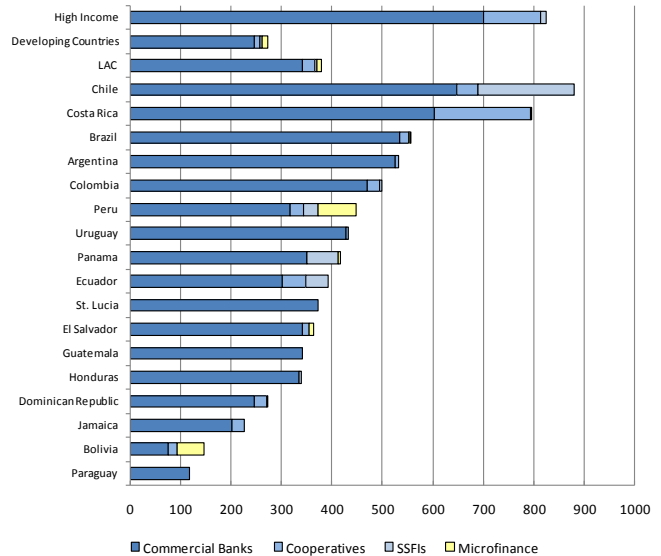
\* main financial regulator has a financial inclusion strategy document

**CREDIT SERVICES & CONSUMER PROTECTION**

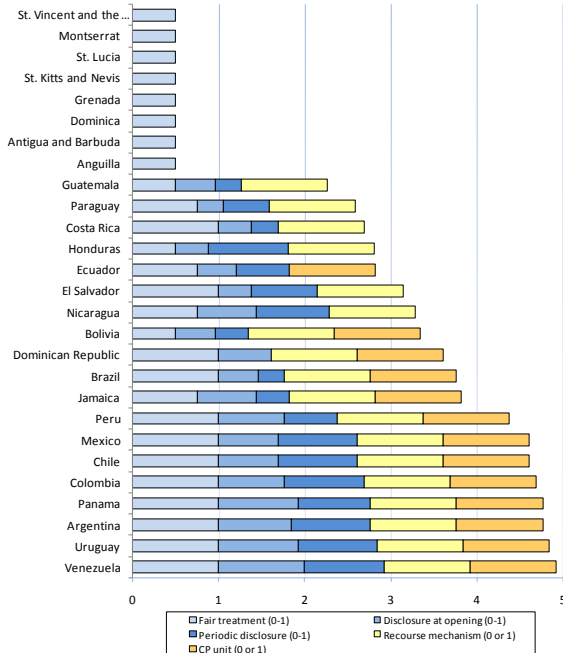
**Access to Credit.** In LAC there are 341 bank loans per 1,000 adults compared with 245 bank loans per 1,000 adults in developing countries. There is a wide variation among countries in the region in terms of loan account penetration, from 647 bank loans per 1,000 adults in Chile to only 75 bank loans per 1,000 adults in Bolivia. Non-bank financial institutions (NBFIs) target lower income segments, but limited data do not allow for a comprehensive assessment of the role of NBFIs. The change in the number of accounts on average in LAC in 2009 was negligible, as seven countries experienced a decline in the number of loans per 1,000 adults, and five countries experienced an increase. The number of loans per 1,000 adults increased the most in Brazil and Paraguay, at 37 and 34 percent, respectively.

The volume of loans as a percentage of GDP decreased by 18 percent on average in the LAC region, less than the average for all developing countries, but more than the average of high-income countries. Volume of loans decreased in all countries except Chile. Once again, most loan accounts are held in commercial banks. Chile has a significant proportion of loan accounts in SSFIs, and Costa Rica has a significant amount in cooperatives. Peru and Bolivia are the only two countries that have a significant proportion of loan accounts in MFIs. The ratio of the volume of loans to individuals to total volume of loans in commercial banks (at 44 percent) is higher in the LAC region than the averages for both developing and high-income countries.

**Number of loan accounts per 1,000 adults**



**Consumer Protection: From Legislation to Enforcement**



**Consumer Protection Regulations in Latin America and the Caribbean.**

The recent financial crisis highlighted the importance of effective consumer protection and adequate levels of financial literacy for the sustainability of the entire financial system.

*Basic consumer protection requirements, except for disclosure requirements, are on the books in most LAC countries. Approximately two-thirds of LAC countries (19/28 countries) have laws and regulations addressing at least some aspects of financial consumer protection. All but two LAC countries have some sort of fair treatment legislation restricting unfair selling practices. Disclosure requirements, however, are not very common in LAC countries, both at account opening and through periodic statements. On average, LAC countries require less than half of the disclosure requirements surveyed by *Financial Access 2010*.*

*Enforcement mechanisms are weaker than legislative requirements. Only two-thirds of LAC countries have at least one dispute resolution mechanism, and only about 60 percent of LAC countries require financial institutions to implement procedures for resolving customer complaints. Mystery shopping is the only compliance monitoring mechanism and issuing warnings to financial institutions is the only enforcement action that exist in more than half of LAC countries.*

*Institutional structures are the weakest. Less than half of the LAC financial regulators who said they were responsible for some aspect of financial consumer protection have a dedicated unit to work on these issues.*