

# BREAKTHROUGH

2017 LAC INNOVATION FORUM

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General Manager for Payments Network  
Supervision

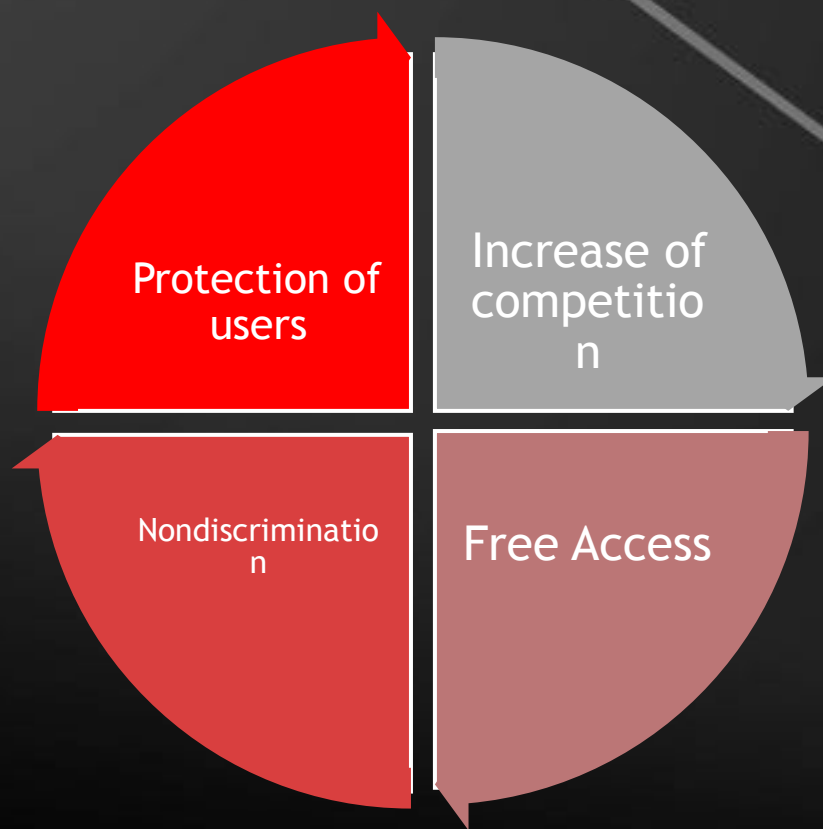
National Banking & Securities Commission  
Mexico

# Innovation and security

The Role of Regulation in an Ever Changing Digital Environment

# 2014, Financial Reform

- Regulatory framework based on four principles:

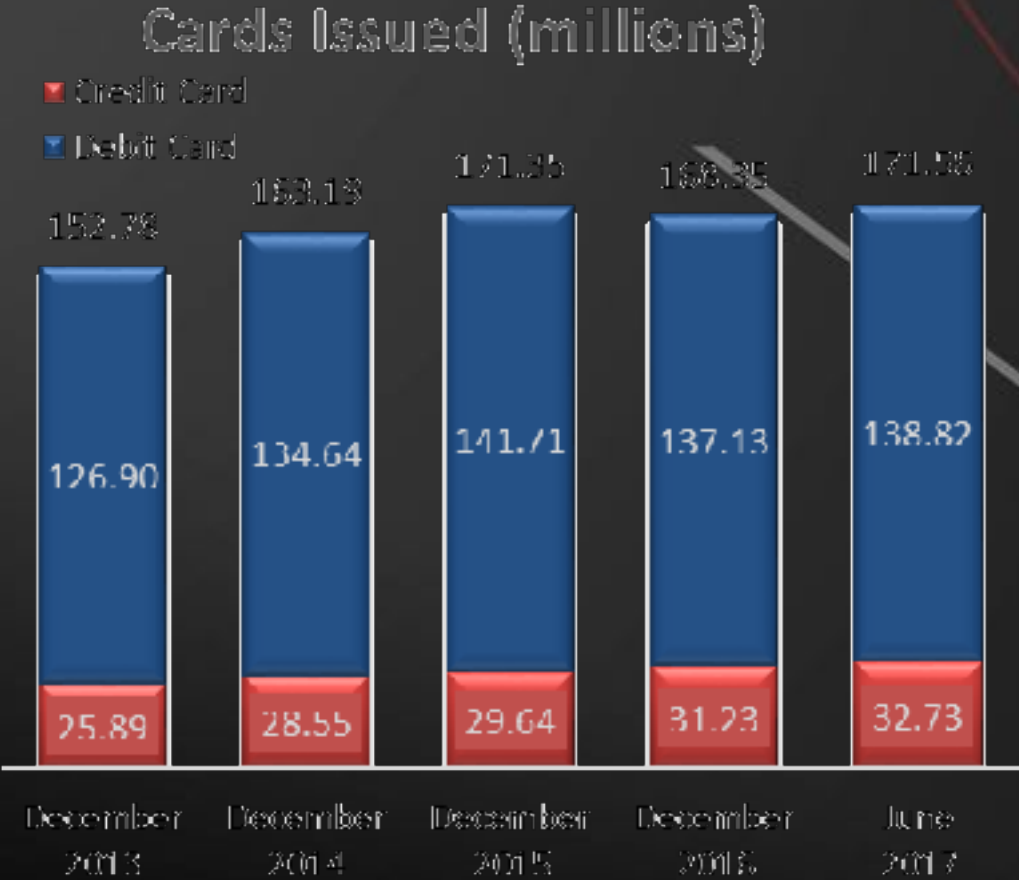




# Regulatory Approach of secondary regulation of Payment Networks

- Establishing verification methods for customers and cards for electronic payments
- Encourage technological innovation.
- Increase transparency of conditions and charges.
- Promote equal treatment of all participants.
- Interoperability of card payments networks
- Sanctioning processes.

# Issued cards in Mexico have increased significantly

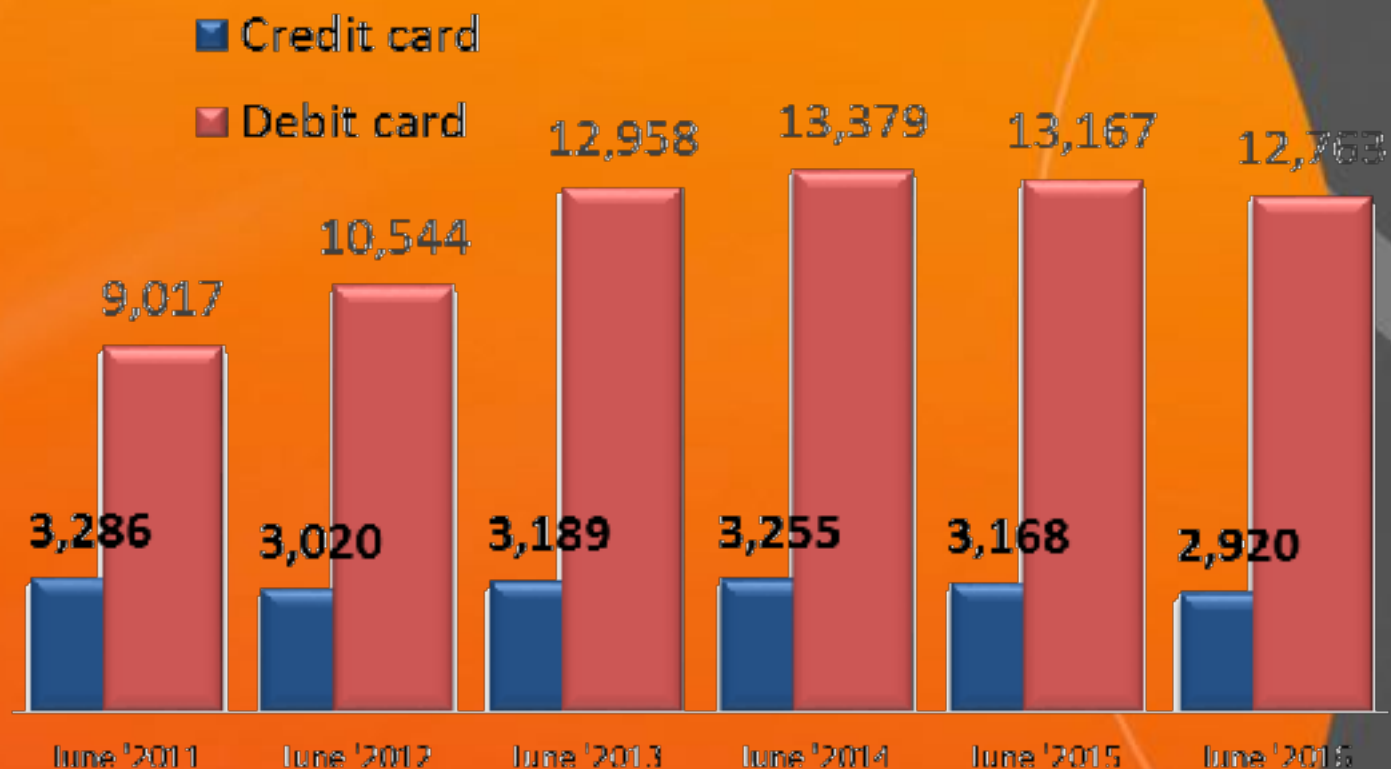


Source: Banco de México

\* Compound annual growth rate



# Card contracts for every 10,000 adults in Mexico



Source: CNBV, Reporte Nacional de Inclusión Financiera

# Merchants acquired by Banks

## Points of Sale

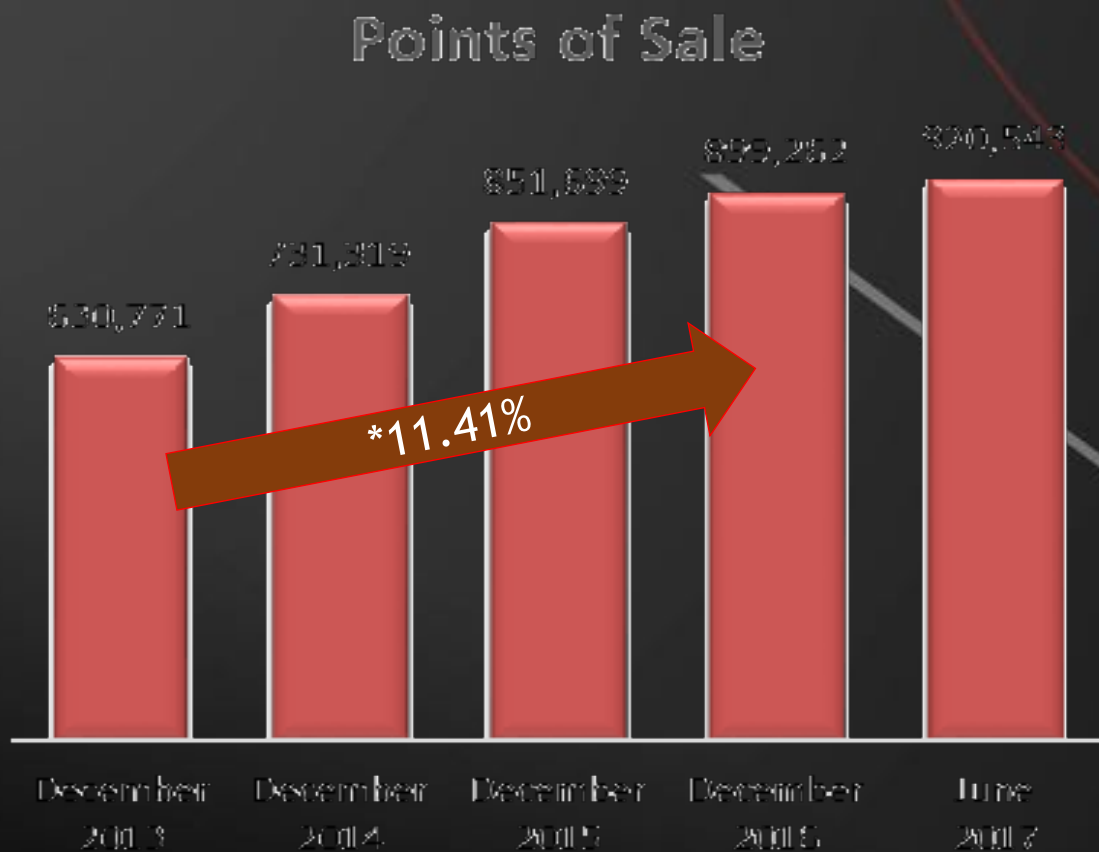


Source: CNBV, with data from Multiple and Development Banks

\* Compound annual growth rate



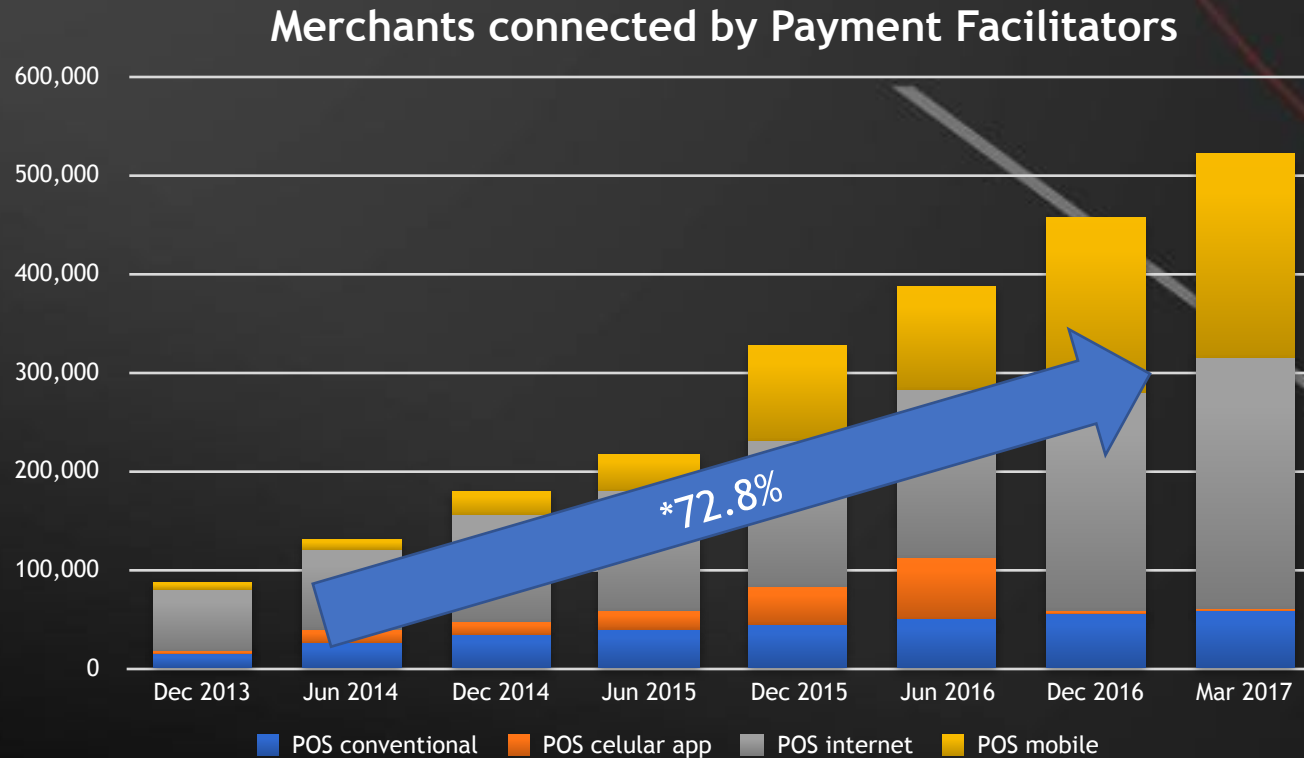
# Terminals provided by Banks



Source: CNBV, with data from Multiple and Development Banks

\* Compound annual growth rate

# Merchants acquired by Payment Facilitators



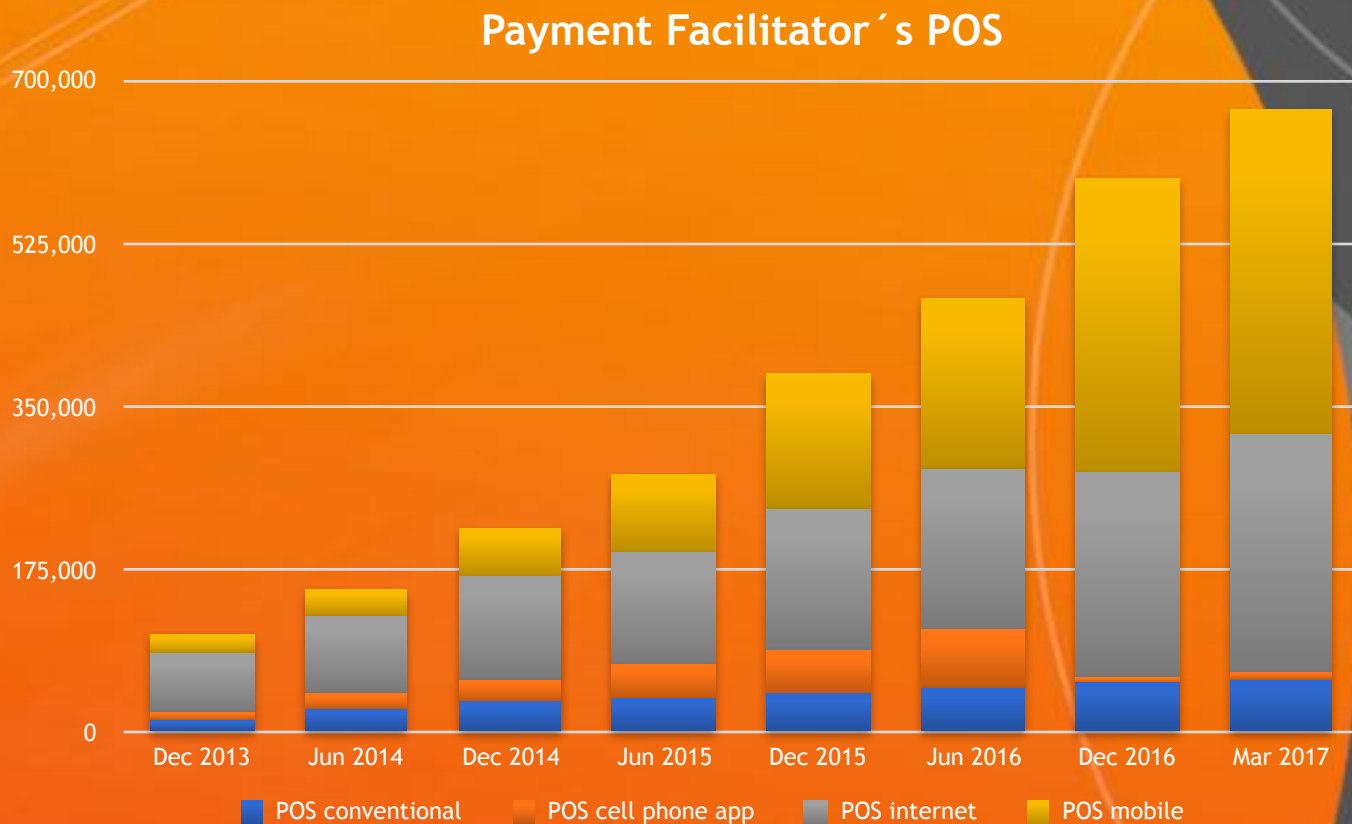
Source: CNBV

The figures of merchants that operate by internet and apps include only those that had operations during last year.

\* Compound annual growth rate



# Terminals provided by Payments Facilitators

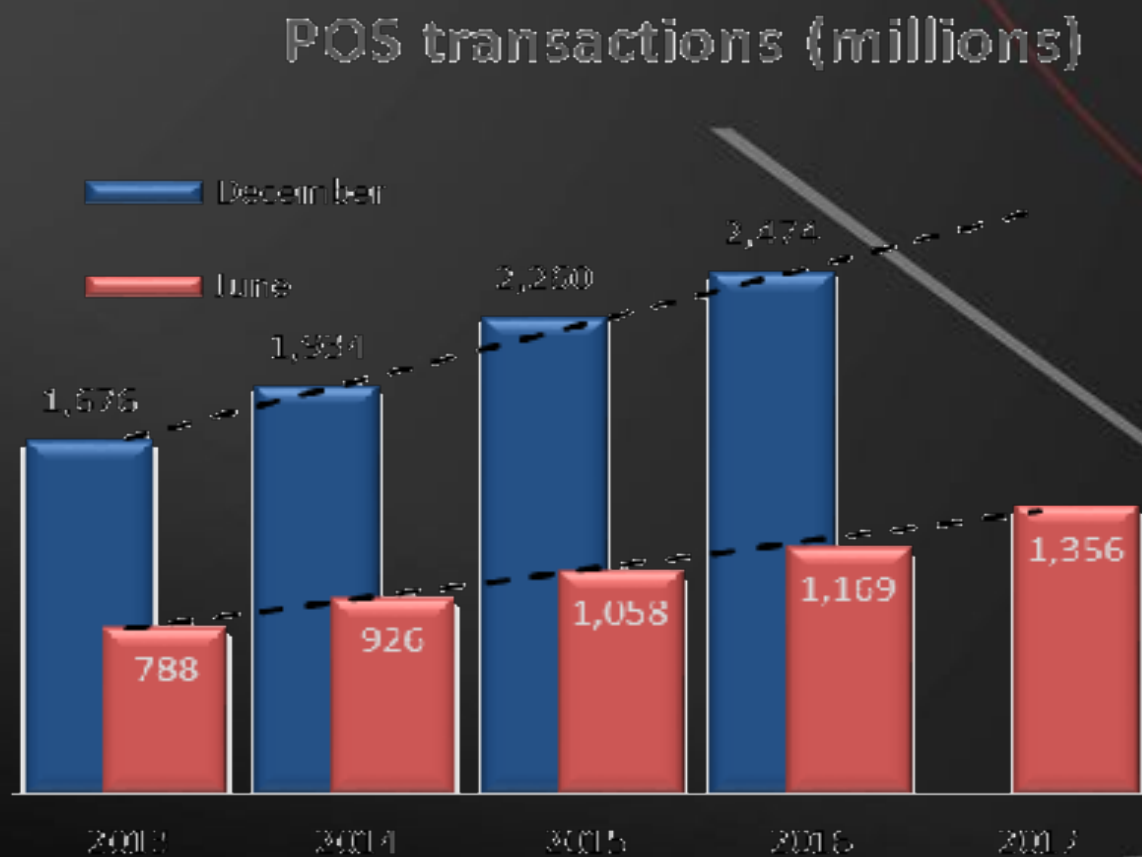


Source: CNBV

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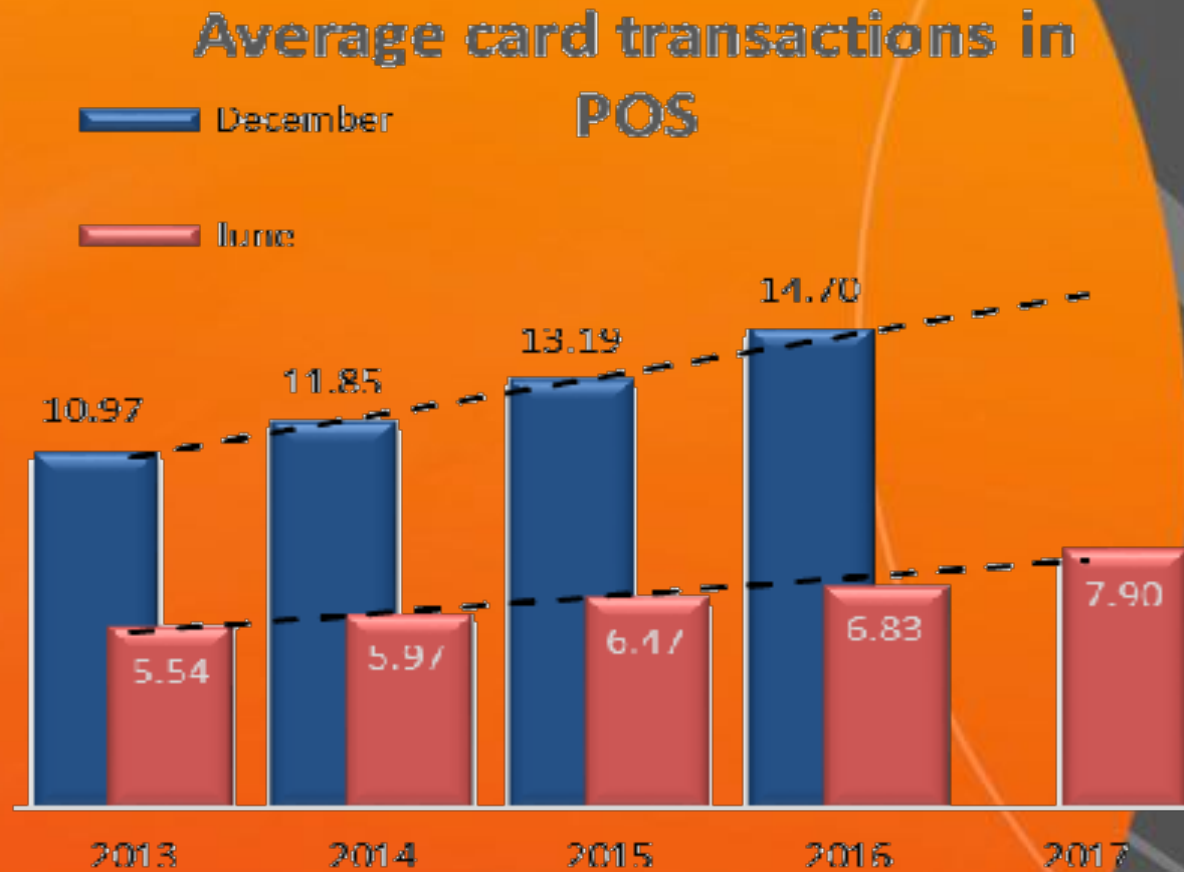
\* Compound annual growth rate

# Annual growth rate of POS operations



Source: Banco de México  
\* Compound annual growth rate

# Cards usage



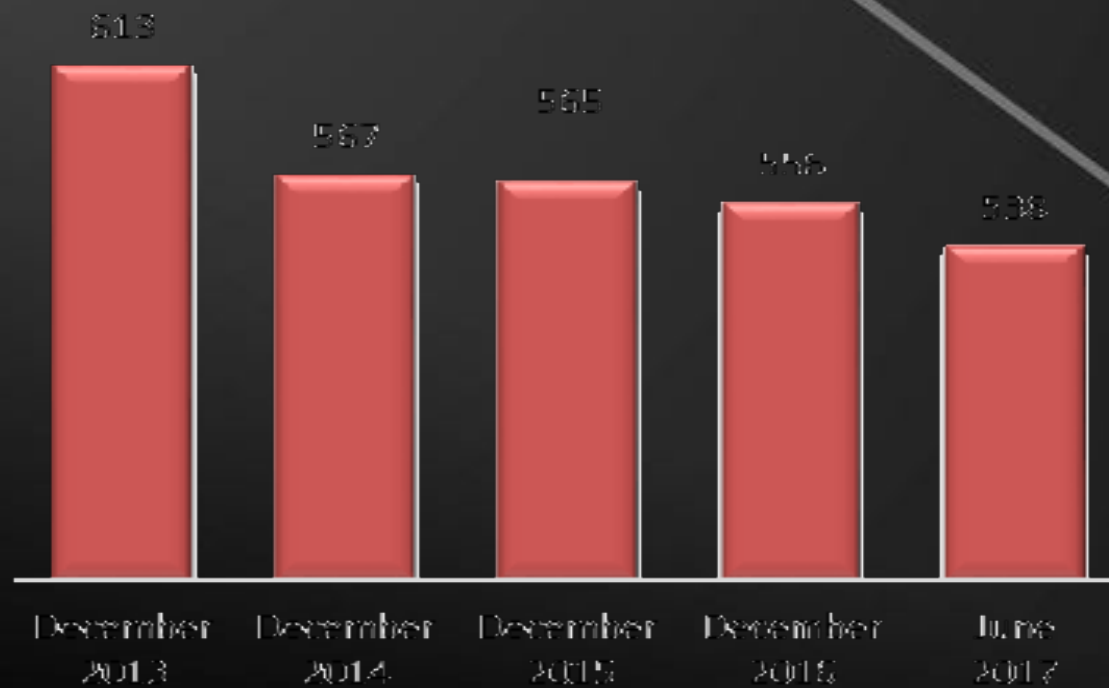
Source: CNBV and Banco de México

\* Compound annual growth rate



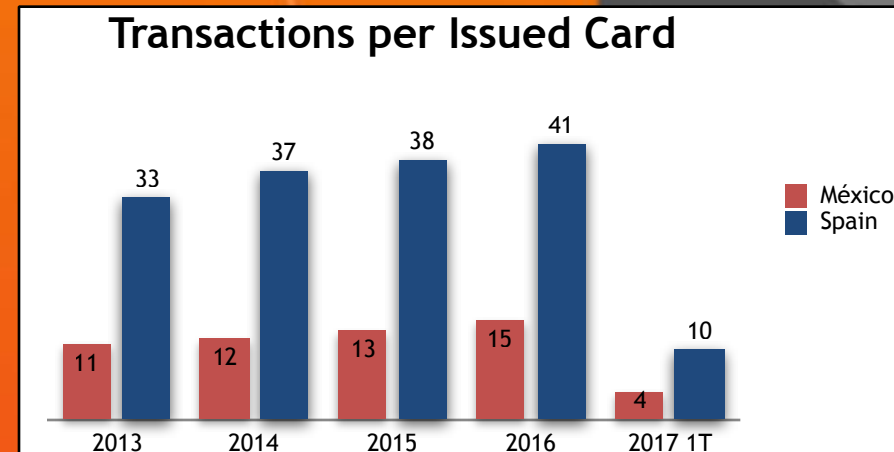
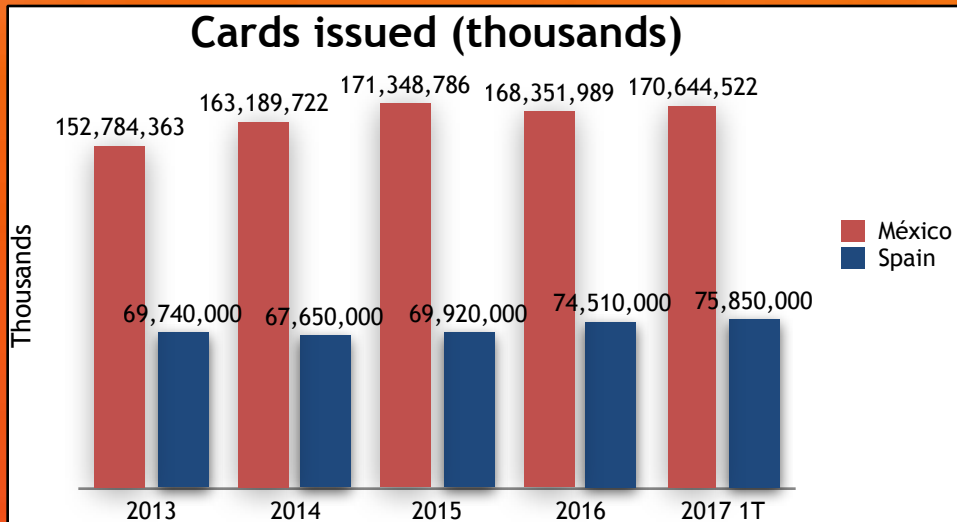
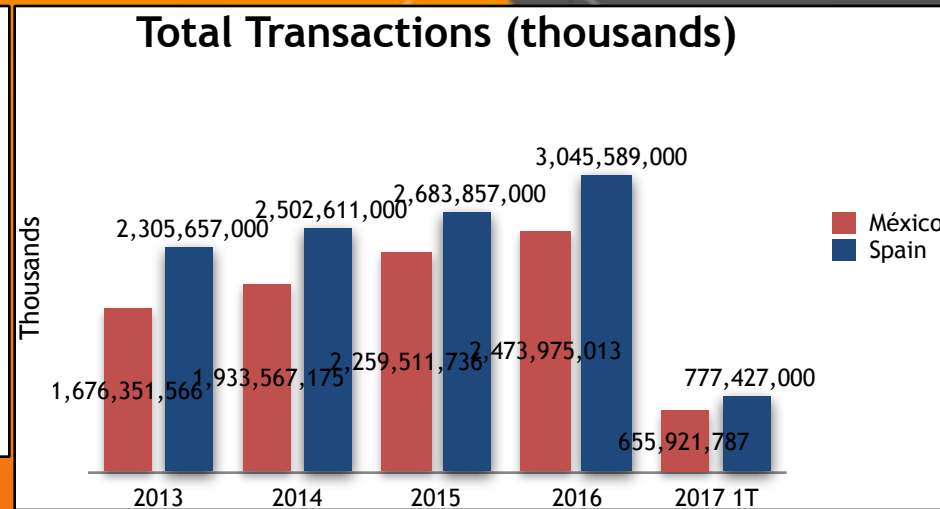
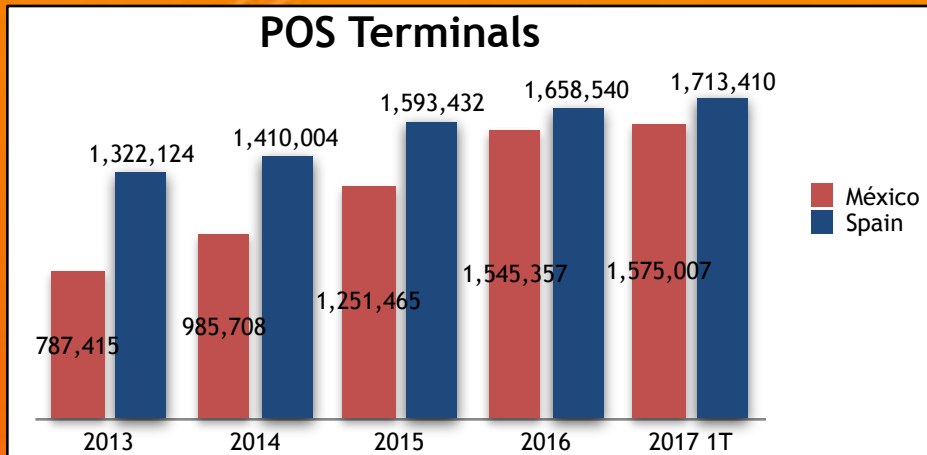
# Cards usage

## Average ticket in POS



Source: CNBV and Banco de México  
\* Compound annual growth rate

# Payment networks, Mexico vs Spain



# Regulatory Changes

Challenge	Actions taken by CNBV	Regulatory
Validation of cryptograms	Requirement for validation of cryptograms generated by card chips and issuer	<input checked="" type="checkbox"/>
Use of Chip + PIN	Mandatory request of 2 factors authentication, for card present transaction over certain amount	<input checked="" type="checkbox"/>
Devaluation of operations data	Tokenization and 2 factors authentication for card not present operations	<input checked="" type="checkbox"/>
Protection of sensitive data	International data protection standards or similar, such as PCI DSS and PA DSS	<input checked="" type="checkbox"/>

# Current projects with stakeholders derived from three different analysis to increase acceptance

## Security and fraud prevention

- Implement chip + pin or chip + other alternatives for card present transactions (credit and debit)
- Improving security protocols for card not present transactions and standardizing liability shift criteria

## Innovation and technology

- Implementing PCI DSS compliance
- Optional balance notification system to provide customers control
- Adopt digital service models and e-wallets
- Invest in innovation and technology for the co-development of products and solutions

## Deposit-taking and financial inclusion

- Communicate basic products characteristics targeting low and medium low segments.

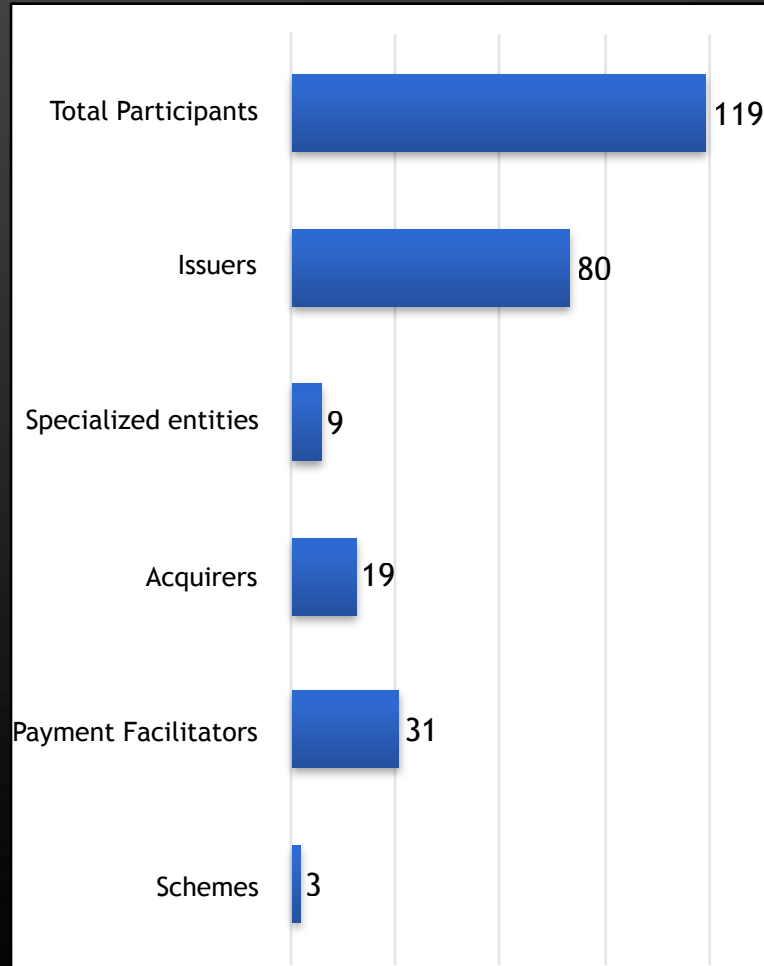
## Acquiring and service to merchants

- Encouraging low-cost acquiring models to merchants
- Improving after-sales service to merchants (training and support)

## Clearing models

- Stimulate use of Electronic Payments in low-value transactions
- Reframing charges on interbank cash withdrawals to encourage card usage
- Eliminate cash subsidies and cash costs bundling with other banking products and communicate cash cost to merchants

# Challenges for the next 3 to 5 years



## Increase card acceptance:

- Schemes as promoters of strategies for banks, payment facilitators and fintech to enter or increase their stake in the card acceptance.
- Promote the entry of global companies, with proven technology, acceptance products and expertise.
- CAGR for “Merchants with POS”:
  - Banks: 10.95%
  - Payment facilitators: 72.8%



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