



FinTech Business Guide 2024/2025

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PERU

Ministry
of Foreign Affairs

EY Law

FinTech

Business Guide



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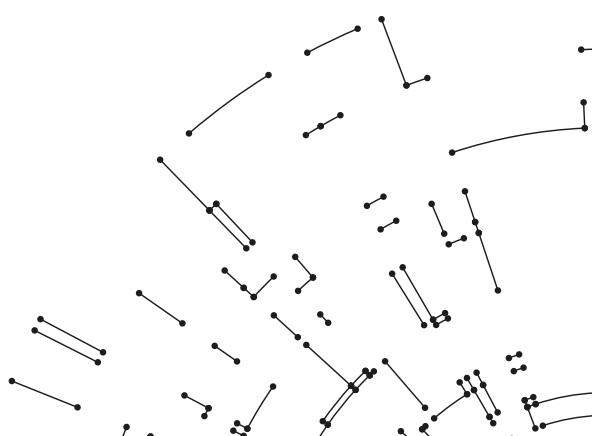
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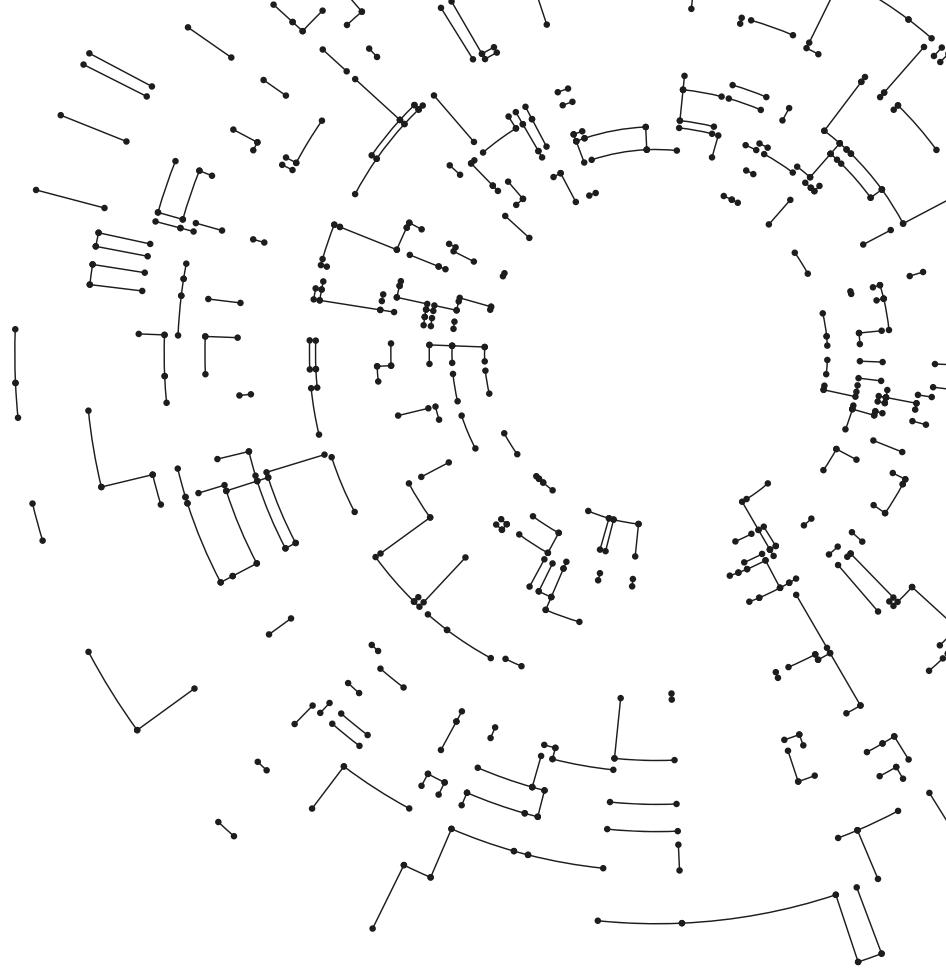
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This material includes consolidated written and/or record interviews with representatives from the Peruvian Superintendence of Banking, Insurance, and Private Pension Fund Management Companies (SBS), the Peruvian Superintendence of the Securities Market (SMV) and representatives from some of the most important organizations and companies in the FinTech ecosystem in Peru. This material was prepared based on information securely provided by the interviewed representatives of said entities and businesses, solely for corporate, educational, and academic purposes. The opinions and information offered by the interviewees herein are their own exclusive responsibility, and do not necessarily reflect the points of view of EY and/or the MRE. EY and the MRE assume no responsibility for the contents and accuracy of the claims or comments made by the interviewees. It should be borne in mind that the opinions and information offered by the interviewees in the preparation of this publication were made within a specific context, at a specific time.





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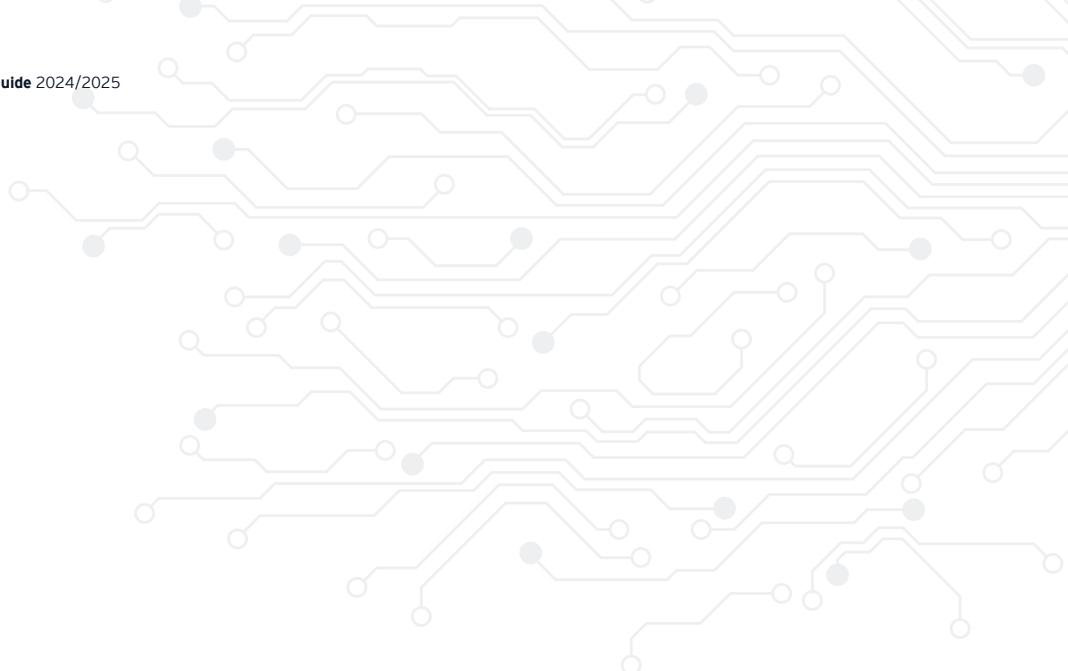
Elmer Schialer Salcedo

Minister of Foreign Affairs

The current international scene is deeply marked by the convergence of three key factors: artificial intelligence, bioengineering, and the new forms of communication whose principal catalyst is digital transformation. These elements are redefining the business scene and the flow of capitals, guiding the demand for goods and services towards new horizons.

In this context, the financial technology sector has shown notable progress in Latin America, driven by digitization and an increased interest from foreign investors. Peru, particularly, is engaged in a dynamic process of financial modernization, in which technology plays an essential role in the transformation of its economy and financial system.

Despite the impact caused by the COVID-19 pandemic, the gaps typical of a developing economy and the uncertain global environment, the FinTech sector in Peru has been able to expand its scope. This growth has been key in promoting financial inclusion, especially benefitting the most vulnerable sectors of the population. According to the National Institute of Statistics (INEI), by the first quarter of 2024, 60% of the population above the age of 18 held an account in the financial system, a 2.6% increase over the same period a year earlier.



According to Peru's Central Reserve Bank (BCRP), the FinTech ecosystem continues to expand, focusing particularly on the segments of financing, foreign exchange and payments. Throughout 2023, there was an outstanding growth in digital investment solutions for small investors. At July 2024, Peru had 237 FinTech companies, showing an average annual growth of 15% since 2014, when there were only 50 companies registered.

This Guide seeks to become a valuable tool for those who wish to look more closely into finance and technology, as well as for domestic and international investors interested in developing businesses in Peru. The issues covered offer a comprehensive vision of the FinTech ecosystem in which users, businesses, developers, investors and regulators converge.

Lastly, I would like to highlight the work undertaken jointly by the Ministry and EY Peru, whose commitment to attract investment reinforces the crucial role played by the private sector in the country's financial inclusion and economic reactivation, promoting our international projection.

I invite you to explore Peru's exciting FinTech ecosystem and become a part of its continuing growth and development.



Augusto Morelli Salgado

Director General of Economic Promotion

In recent years, Peru has undertaken a significant journey towards modernizing its economy and its financial systems, taking into consideration the important technological and digital progress achieved in the past decade. This process has been coupled with the adoption of innovative technologies and the integration of financial technology (FinTech) solutions in the country.

These initiatives have made access to financial services easier for sectors that have been traditionally neglected, offering from payment solutions to credit platforms and improving the way in which Peruvians interact with financial services.

The FinTechs are recognized for their innovation and efficiency, transforming the financial ecosystem through the intensive use of technology. These companies stand out for their focus on digitization and innovation, improving the efficiency, speed and accessibility of financial services. Its agility and adaptability have revolutionized the industry, offering innovative alternatives to traditional banking services. This capacity for innovation and adaptation allows them to provide more personalized and efficient solutions, benefitting both the users and the financial system.

The path towards modernization of our financial systems also includes adapting our regulations to the highest international standards, such as those established by the Organization for Economic Co-operation and Development, an organization that Peru seeks to join.

By aligning with those standards, Peru not only demonstrates its commitment to the stability and integrity of the financial system but also establishes the conditions necessary to attract foreign investment and consolidate the local FinTech ecosystem, improving the services offered and the efficiency of the domestic market.

Within this framework, the FinTech sector in Peru has shown notable growth. According to the latest statistics from the Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS) at March 2024, the percentage of adults in Peru with credit in the financial system had increased to 38.6%.

This statistic reflects Peru's remarkable experience and growth in the FinTech sector, encouraged by the new models of financial management and a population that is still underbanked. The cooperation between traditional banking and the FinTechs is generating interesting synergies that benefit the underbanked population and accelerate the process of financial inclusion in the country.

Additionally, Peru's Central Reserve Bank (BCRP) reported notable growth in operations carried out through virtual banking (Internet, software, fixed telephone banking and mobile banking). These operations increased from PEN17

million in June 2018 to PEN495 million in June 2024. Likewise, the number of bank accounts continued to increase, mainly in the opening of accounts to use programs for cash transfers and digitization of financial transactions in the Peruvian market, which reflects greater access to digital financial services.

Lastly, looking to the future, Peru projects itself as a modern and reliable country in the FinTech sector. It is capable of offering a favorable environment for business development in this sphere, with an evolving regulatory ecosystem and a commitment to follow international standards, thus demonstrating its willingness to lead financial innovation in the region.

Increased investment in technology and a population open to adopt digital solutions place Peru at the threshold of a new financial era in which the opportunities are vast. This commitment to innovation and sustainability promise a brilliant future, attracting investors as well as entrepreneurs who seek an environment that is favorable to growth and cooperation.

In this context, the Ministry of Foreign Affairs is pleased to participate in the publishing of the latest FinTech Business Guide 2024/2025, which offers relevant information to domestic and international entrepreneurs and highlights the key investment opportunities.

I invite you to explore and participate in the country's exciting FinTech ecosystem, and thus contribute to its continuing growth and the expansion of financial inclusion for all Peruvians.



Carlos Vásquez Corrales

APEC SOM Chair

The growth of innovative financial technologies, known as Fintech, has contributed to redefine the global economic landscape, accelerating the digital transformation of financial services and fostering a much wider financial inclusion, while also empowering small and medium-sized enterprises (SMEs). In the context of APEC, with Peru assuming leadership as the host economy for the third time in 2024, the development of the Fintech sector represents not only a key economic opportunity but also a priority in APEC's inclusion agenda.

One of the pillars of Peru's presidency in APEC 2024 is the commitment to inclusive growth, emphasizing the importance of empowering economic actors with untapped potential, who have traditionally been excluded from the formal and global economy. This approach, summarized under the theme "Empower. Include. Grow." has been materialized in the nine ministerial declarations and four technical-political agreements achieved by September of this year. Among these, the Joint Declaration of the Ministers of Women and Trade held in Arequipa stands out, highlighting the importance of empowering women through digitalization and financial technologies.

These technologies are key to connecting those who have been excluded from formal financial systems, creating a more accessible and equitable environment. They play a crucial role in facilitating access to financial services for women entrepreneurs, especially in rural areas, allowing them to fully integrate into the digital economy.

The empowerment of SMEs in the Asia-Pacific region is another key component of APEC's inclusion agenda. In fact, this transition, driven by digitalization and Fintech, offers SMEs the opportunity to access broader markets, benefit from financial inclusion, and participate in global supply chains more efficiently. In Peru, SMEs play a fundamental role in the economy, representing a significant portion of employment and contributing in almost 20% to the Gross Domestic Product (GDP). However, many still operate informally, limiting their access to financial services and technologies that could accelerate their growth. Fintech provides solutions that help these SMEs formalize, offering them access to digital financing, innovative payment systems, and financial management platforms.

This effort to empower, include, and grow is epitomized in a key document being developed in the forum of APEC for 2024: the Lima Roadmap to Promote the Transition to the Formal and Global Economy, which we hope will be approved next November by APEC Economic Leaders. This instrument not only encapsulates the effort of our presidency throughout APEC 2024 but also serves as a practical guide to integrate the most vulnerable sectors and promote their formalization, facilitated in part by disruptive technologies such as Fintech, which expand access to financial services so that those traditionally excluded can join the formal and global economy.

The Asia-Pacific region, with its vast network of interconnected economies, is at the epicenter of significant growth opportunities. In this context, the Fintech sector not only optimizes the connection between financial actors but also facilitates access to new markets, allowing emerging economies to participate in global value chains.

Taking into account the relevance of Fintech to APEC's agenda and the need to continue developing this promising sector for the Peruvian economic growth, we congratulate Ernst & Young for the Fintech Business Guide 2024/2025, presented here, which reflects this commitment and serves as an essential resource for investors from the Asia-Pacific region interested in the potential growth of this sector in Peru.

Through policies that promote access to financial education and technological platforms, the aim is to empower the most vulnerable segments of our population, providing them with the necessary tools to overcome historical barriers and actively participate in the digital economy.

I invite all those interested to use this guide not only as a source of information on sector trends but also as a window into the numerous investment opportunities Peru offers. With the momentum that APEC PERU 2024 is giving to the transition towards a formal and global economy, Fintech is set to play a crucial role, and the Fintech Business Guide 2024/2025 is an important gateway to that future.



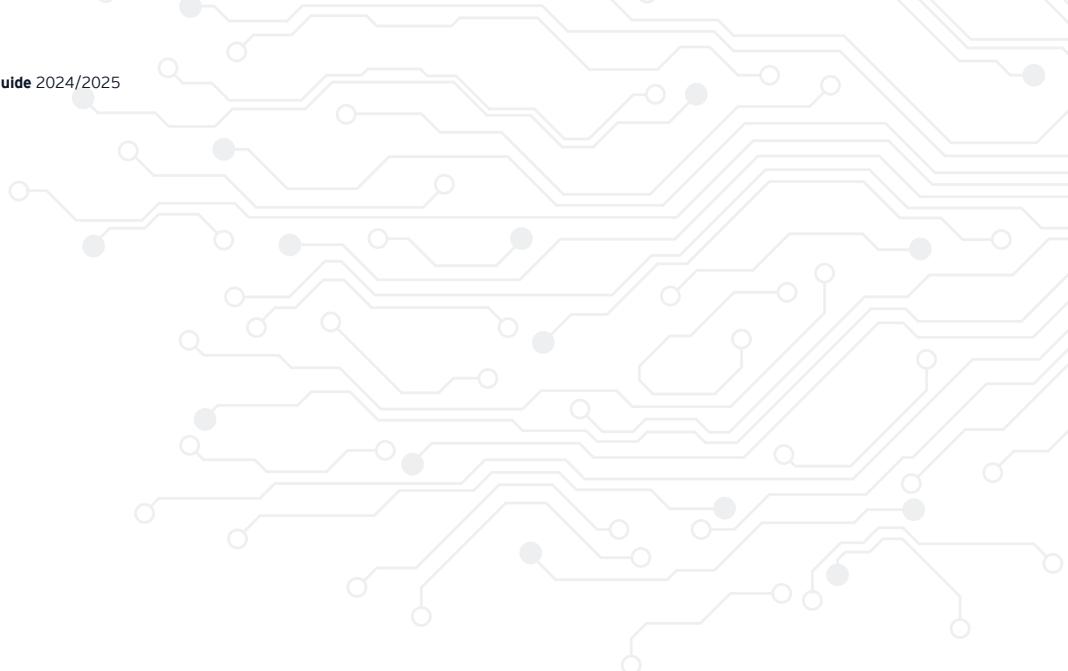
Paulo Pantigoso Velloso da Silveira

Country Managing Partner, EY Peru

The contribution of technology as a key driver of development brings new solutions and disruption at high speed, positively impacting financial services. FinTech companies are a clear example of generating financial options for customers and making a major contribution to the financial inclusion of the population.

In Peru, over the past 10 years, the number of FinTech companies has nearly quintupled, growing from 50 companies in 2014 to 237 in 2024. This significant increase is quite attractive for investors in the FinTech market, and especially for customers who benefit for its development. To give an idea of the volume of operations handled in Peru by some of the FinTech services, digital wallets such as Yape and Plin—the most well-known—as of March 2024, reported nearly 2.8 million transactions per day, according to the Central Reserve Bank of Peru (BCRP).

The FinTech sector in Peru has not only grown in transaction volume but also in the variety of services offered, which has led to



its expansion into emerging markets. This growth has attracted the attention of all stakeholders who are seeking to better understand how these business models work and their potential impact on the financial system. Additionally, regulation has started to adapt in order to promote FinTech growth while ensuring market stability, transparency, and solvency. A key example of this is the recent implementation of the regulatory sandbox, which allows innovative projects to develop under controlled supervision, facilitating experimentation in a safe environment.

To foster this growth and explore the full potential of FinTech in Peru, EY Peru and the Ministry of Foreign Affairs have prepared the FinTech Business Guide 2024/2025, which provides a comprehensive view of the Peruvian market and regional trends, as well as the services the companies are beginning to offer. This resource aims to support the continued growth of the sector and strengthen the FinTech ecosystem in the country.

We invite you to explore this Guide in the hope that it will be of use to discover new initiatives and that it will help to boost the development of this dynamic sector. We are at your disposal for the assistance you may require.



Darío Bregante Tassara

Director, EY Peru

The progress of FinTech has drastically changed how people access and use financial services. In Peru, for example, digital wallets are starting to rival cash usage. According to the BCRP, over 347 million monthly operations involving digital wallets were recorded as of March 2024. Compared to March 2023, this represents a 113% increase in operations.

The growth of the payment ecosystem in Peru is a starting point for reflecting on the opportunities and challenges of developing FinTech businesses in the country. On one hand, the BCRP's strategy for the mass adoption of digital payments, mainly through payment interoperability, has allowed Peruvians to send or receive transfers or payments to and from any digital wallet, encouraging the entry of new regulated and unregulated players. To date, the payments and transfers vertical in Peru has 60 identified FinTechs, making it the country's leading FinTech vertical.

On the other hand, the exponential growth of interoperable wallets demands strengthening public-private collaboration to optimize processes, generate continuous UX improvement, and enhance the security of the payment ecosystem. In this regard, it is estimated that the BCRP will implement Phase 4 of interoperability, thus integrating more FinTech businesses into the payment ecosystem. In this context, we reiterate our commitment to contribute to the development of FinTech businesses in Peru with the presentation of our FinTech Business Guide 2024/2025.

This year we have restructured the content of the FinTech Business Guide with the aim of providing updated information on the status of the FinTech ecosystem, the main advances of the verticals, and the challenges that anyone interested in establishing, developing, and/or investing in a FinTech business in Peru must face.

The first chapter presents an overview of the FinTech ecosystem situation. In this edition, you can review a preview of the EY Peru FinTech Index 2024, a study that seeks to identify the state and progress of the FinTech sector in Peru. This year, for the second consecutive year, we can see growth in the number of FinTech companies in our country. According to the EY Peru FinTech Index 2024, as of July 2024, a total of 237 FinTechs have been identified, an approximate growth of 17% compared to last year.

The second chapter provides key information on the current state of Peru in relation to FinTech services, highlighting the growth in the use of fiber optic technology over traditional cable modem. According to OSIPTEL, as of March 2024, 61.96% of all connections use fiber optic technology. In terms of low-value payments, there has been an 89% increase in March 2024 compared to the same period in 2023, demonstrating an increase in people's preference for immediate payments.

Faced with the challenge of developing FinTech businesses, the third chapter presents the main alternatives for establishing a FinTech in Peru, whether by setting up an unregulated company, requesting authorization to carry out a regulated operation, or even considering a commercial alliance.

In this edition, we have updated and developed the fourth chapter with the aim of providing information for each of the main FinTech verticals in Peru.

To this end, we have identified the most important regulation, as well as data and trends relevant to each vertical. In this section, it is important to highlight the development of the Peruvian digital currency and advances in Blockchain technology. These advancements open a wide range of possibilities to facilitate and accelerate the transfer of value through asset tokenization.

Finally, the fifth chapter offers a glimpse of the FinTech ecosystem in Mexico and Chile, which would not be possible without the support of our offices in the aforementioned countries.

We invite you to review this guide, hoping that its reading will be beneficial in the development of your activities, and we are at your disposal to assist you.



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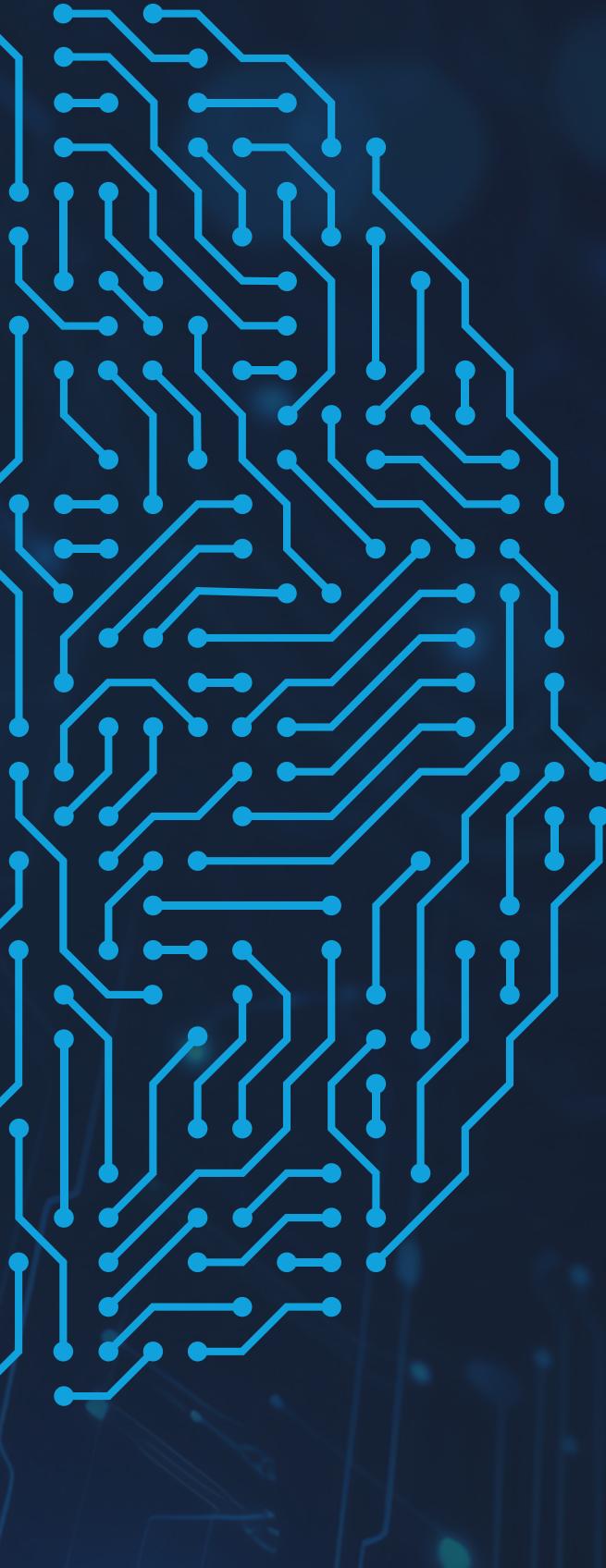
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GENERAL DATA

1.1

Government

Peru is a democratic constitutional republic with a multiparty system. Under the Constitution of 1993, the President is the Chief of State and Head of Government. The President is elected every five years and cannot run for re-election immediately. The President appoints the Prime Minister and the members of the Cabinet. There is a unicameral Congress of 130 members elected for a five-year period. The legislative proposals can be submitted by both the executive and legislative branch and will become law once they are approved by the Congress and promulgated by the President. The judicial and electoral bodies are independent.

The Peruvian Government is elected directly through a mandatory vote, applicable to all citizens between the age of 18 and 70.



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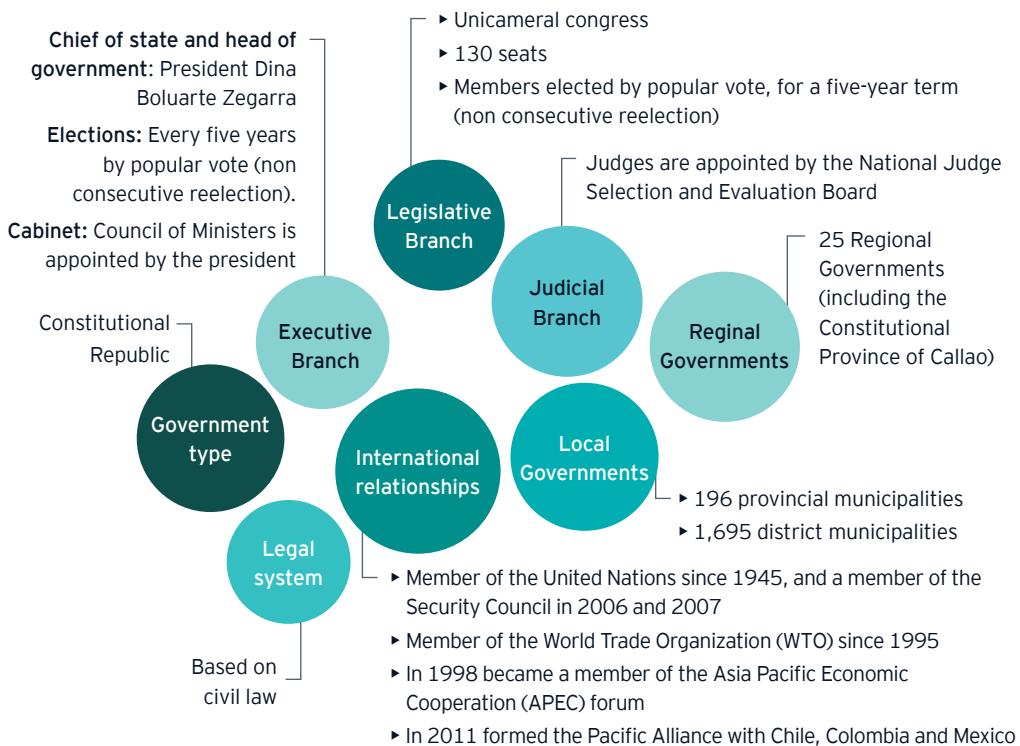
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Country Overview



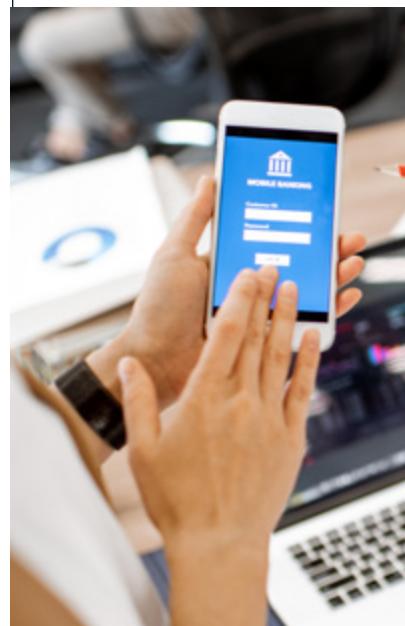
Source: National Institute of Statistics and Information (INEI), United Nations (UN), Ministry of Foreign Affairs (MRE).

1.2

Geography

Peru is located on the west central coast of South America. It is bordered by the Pacific Ocean to the west, by Chile to the south, by Brazil and Bolivia to the east, and by Colombia and Ecuador to the north. With a total land area of 1,285,215.60 km². Peru is the third largest country in South America after Argentina and Brazil, and can be divided geographically into three natural regions:

- The Coast, a narrow strip measuring approximately 3,080 km long. Although it accounts for only 11.7% of Peru's territory, it is home to approximately 20.3 million inhabitants. Lima, the political and financial capital of the country, is located in this Region.



- The Highlands, or Sierra, is the site of the Andean Mountain Range, covering 27.9% of the national territory and serving as home to approximately 8.8 million inhabitants. This Region contains the country's major mineral deposits.
- The Amazon Rainforest or Selva is the largest region and occupies 60.4% of the country's territory, rich in petroleum and forest resources. There are approximately 4.9 million inhabitants in this area.



Peru's Geographic Information



- **Area**
1.29 million of km²
- **Main Languages**
Spanish, Quechua and Aymara
- **Climate**
Varies from tropical in the amazon region to dry on the Coast temperate to very cold on the highlands.
- **Religion**
Freedom of Religion, mainly Roman Catholic
- **Time Zone**
GMT - 5 (Greenwich Mean Time minus five hours). There is no daylight saving time, and there is only one time zone throughout the entire country.
- **Natural Resources**
Gold, copper, zinc, silver, gas, petroleum, fish, phosphates, timber agricultural products.

Source: National Institute of Statistics and Information (INEI).

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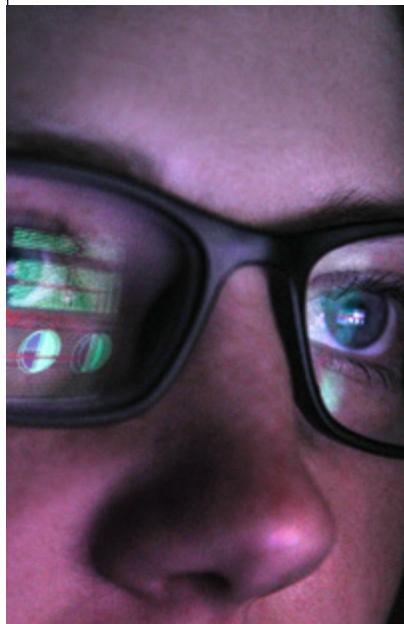
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People

The projected population of Peru for 2024 is approximately 34.0 million inhabitants¹, of which approximately 12.5 million reside in Lima (including the population of the Constitutional Province of Callao). The labor force (Economically Active Population - EAP) is estimated at 18.3 million people.

The majority religion is Roman Catholicism, and the main official languages are Spanish and Quechua. Aymara is also spoken, especially in the southern highland's region, and other native languages, especially in the Amazon jungle region. In 2023, the literacy rate is 95.2% in the population over 15 years of age.



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People Overview 2024*

► Population

- 34.0 million
- 83.1% urban
- 16.9% rural

► Age Structure

- 0-14 years: 23.9%
- 15-59 years: 62.2%
- 60 years and over: 13.9%

► Growth Rate

- 0.9%

► Birth Rate

- 16.4 births /1,000 population

► Mortality Rate

- 6.3 deaths /1,000 population

► Gender Ratio

- 1.02 male/female

► Life Expectancy at Birth

- 77.4 years

* Projection.

Source: National Institute of Statistics and Information (INEI).



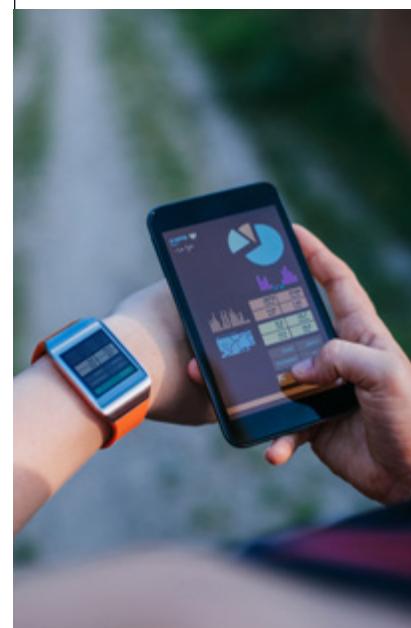
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Currency and Monetary Policy

The Peruvian currency is the Sol (PEN). The Central Bank of Peru (BCRP) conducts a managed floating regime for the exchange rate of the PEN versus the US Dollar (USD). The country has a free-floating exchange rate regime, in which the central bank intervenes to avoid large fluctuations.

The banks were buying (August 31, 2024) USD at PEN3.739 and selling them at PEN3.750. The parallel market has very similar exchange rates. There are no restrictions or limitations on holding bank accounts in foreign currency or to remit funds abroad.

The BCRP started targeting inflation in 2002 and is now committed to keeping the annual inflation rate within a target range of 1% to 3%. The central bank's commitment to stable inflation has favored inflows of capital as well as exchange rate stability.



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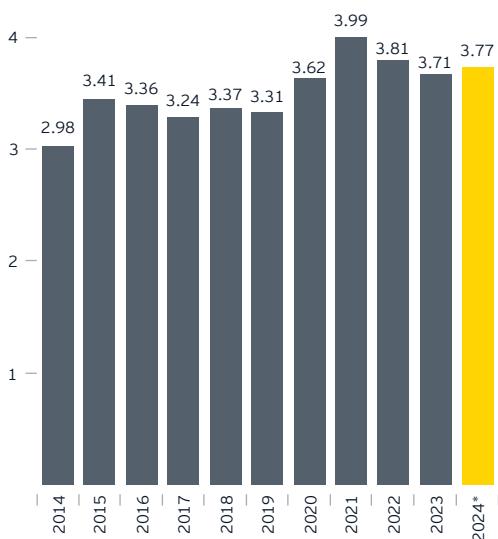
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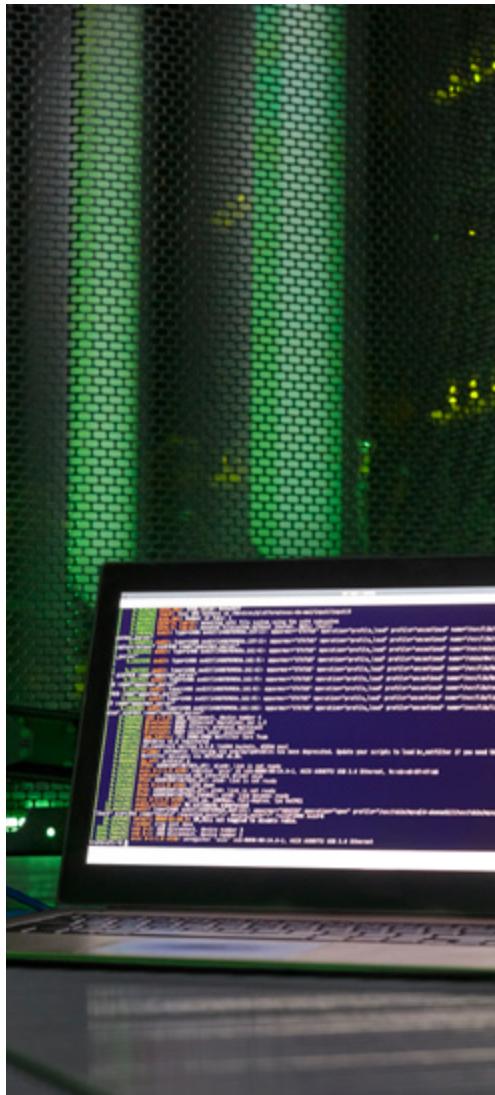
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In 2023, the inflation rate in Peru was 3.2%, while the depreciation rate was 2.5%. In 2024, the annual appreciation rate and inflation rate are expected to be 0.7% and 2.3% respectively. Peru's level of inflation is one of the lowest in the region (Colombia 9.3%; Mexico 4.4%; Brazil 4.6%; Chile 3.9%)ⁱⁱ, with a rate of 3.2% in 2023.

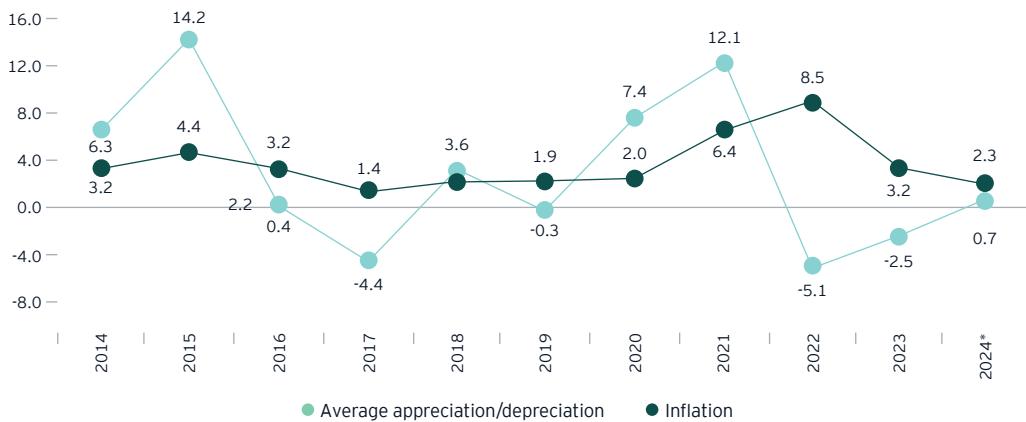
Exchange rate evolution: PEN per USD¹ (end of each year)



*August 2024 Macroeconomic Expectations Survey.
Source: Central Reserve Bank of Peru (BCRP).



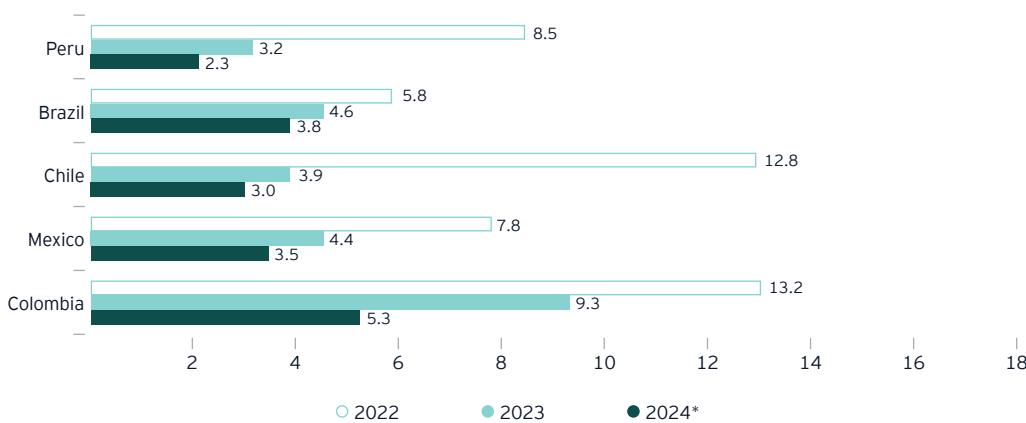
Average appreciation/depreciation and Inflation



*Projection. September 2024 Inflation Report.

Source: Central Reserve Bank of Peru (BCRP).

Inflation Rates in Latin America (%)



*Estimate. World Economic Outlook Database, April 2024. For Peru, forecasts are based in the September 2024 Inflation Report.

Source: International Monetary Fund (IMF), Central Reserve Bank of Peru (BCRP).

BCRP Digital Currency

In March 2023, the BCRP prepared a document analyzing the convenience of having a digital currency for Peru, considering that a central bank digital currency (CBDC)ⁱⁱⁱ could contribute to supplement the digital payments ecosystem.

To this end, technical assistance was requested from the International Monetary Fund (IMF) during the research phase, upon which it was concluded that the BCRP research on CBDC has solid foundations; and BCRP commitment to continue collaborating with stakeholders across the sector in its efforts and development of CBDC is fully perceived. However, key challenges include improving the governance and capacity of the project, expanding the research to incorporate stakeholder perspectives, and elevating the CBDC program to national level^{iv}.

As part of the actions to implement CBDC in Peru, the BCRP issued Circular Letter 0011-2024-BCRP, Regulation on Digital Money Innovation Pilots, with the objective of promoting the access and use of digital payments by the unbanked population. The general and particular development on the operation and use of BCRP Digital Money will be developed in detail in the Infographic (Appendix B).



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Economy

The Peruvian economy has strong macroeconomic indicators thanks to the implementation of a countercyclical macroeconomic policy and a favorable external environment.

1. Gross Domestic Product

USD268 billion

(Current price, 2023^v)

USD152 billion

(Constant price, 2023^{vi})

2. GDP per Capita

USD7,209

(Current price, 2023^v)

3. GDP Growth Projected

3.1%

(2024^{vi})





4. Net International Reserves

USD71.0 billion

(as at December 31, 2023^{vi})

5. Foreign Debt

USD46.0 billion

(as at December 31, 2023^{vi})

6. Total Public Debt

32.9% of the GDP

(2023^{vi})

7. Fixed Gross Investment

29.0%

(2023^{vi})

8. Unemployment Rate

5.4%

(as at December 31, 2023)

9. Principal Destinations of Peruvian Exports

China, United States, Brazil, Argentina, Mexico, Chile, Colombia, Canada, Ecuador and Germany^{vii}.

10. Principal Exports

Gold, copper, silver, zinc, lead, crude oil and byproducts, coffee, potatoes, asparagus, paprika, organic bananas, quinoa, artichoke, berries, mango, cacao, textiles, fishmeal and urea.

11. Principal Countries of Origin of Imports to Peru

China, United States, Canada, India, South Korea, Japan, The Netherlands, Spain, Chile and Brazil^{vii}.

12. Principal Imports

Petroleum and byproducts, electronic items, plastics, machinery, vehicles, iron and steel, wheat and paper.

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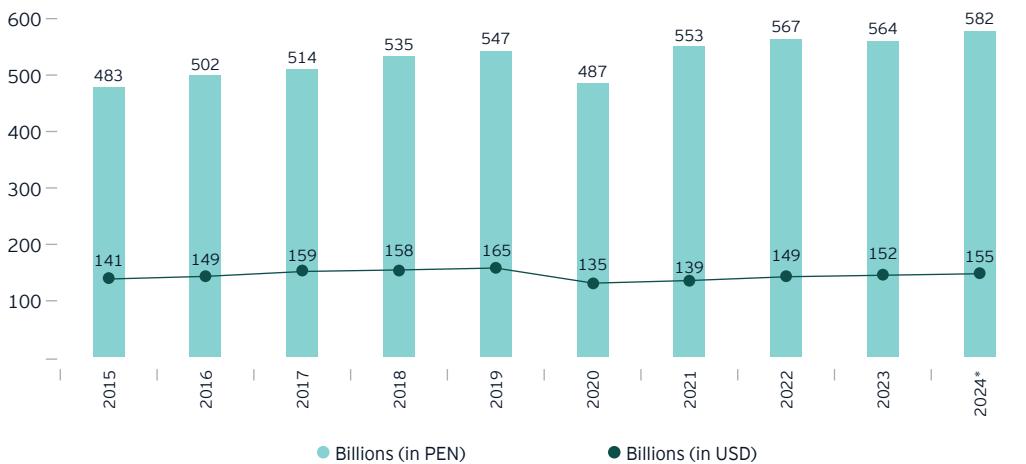
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The country has had continuous economic and political stability since the early 1990's and grew 119% between 2000 and 2020. Due to prudent macroeconomic policies, investor friendly market policies and the government's aggressive trade liberalization strategies, Peru has achieved significant progress in social and economic development indicators as well as dynamic GDP growth rates, reduction of external debt, a stable exchange rate and low inflation.

Accordingly, following a drop in GDP of 10.9% in 2020, Peruvian economy had a rapid recovery of 13.4% in 2021. Additionally, the Peruvian economy would grow 3.0% annually on average between 2025 and 2028, according to estimates by the Ministry of Economy and Finance. During the last decade, Peru has one of the highest average growth rates in the region; this trend continues in 2024 with a projection of 3.1%.

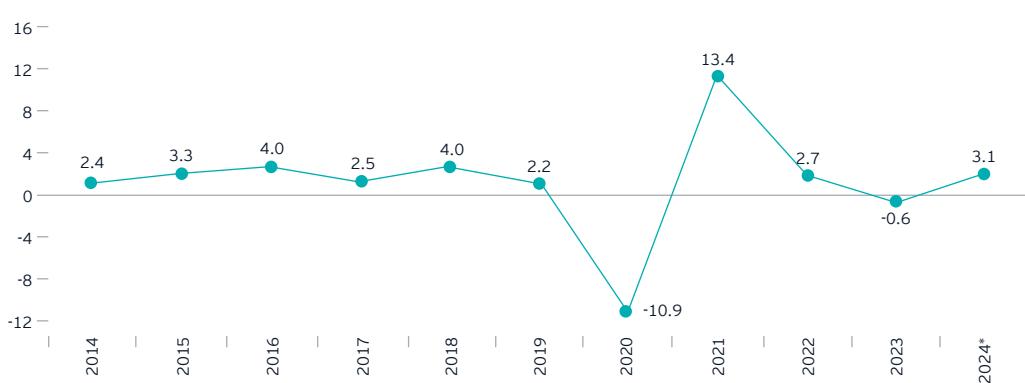


Gross Domestic Product (Constant GDP)



*Projection. September 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

Gross Domestic Product (Constant GDP) (percentage change)



*Projection. September 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).

GDP growth of the main economies in Latin America (percentage change)



*Estimate. World Economic Outlook Database, April 2024. For Peru, forecasts are based in the September 2024 Inflation Report.
Source: International Monetary Fund (IMF), Central Reserve Bank of Peru (BCRP).

Gross Domestic Product (Constant GDP) by sector (percentage change)

Sectors	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Agriculture and Livestock	3.5	2.7	2.9	7.7	3.5	1.0	4.6	4.6	-2.5	3.5
Fisheries	15.9	-10.1	4.7	47.7	-17.2	4.2	9.9	-11.4	-21.2	22.4
Metal Mining	15.7	21.2	4.5	-1.7	-0.8	-13.8	10.5	0.0	9.2	1.2
Hydrocarbons	-11.5	-5.1	-2.4	0.0	4.6	-11.0	-4.6	4.0	0.7	3.7
Manufacturing	-1.5	-1.4	-0.2	5.9	-1.7	-12.5	18.6	1.0	-6.5	3.2**
Electricity and Water	5.9	7.3	1.1	4.4	3.9	-6.1	8.5	3.9	3.7	3.1
Construction	-5.9	-3.2	2.2	5.3	1.4	-13.3	34.9	3.1	-7.9	3.2
Commerce	3.9	1.8	1.0	2.6	3.0	-16.0	17.8	3.3	2.4	3.2
Services	5.0	4.2	3.3	4.5	4.2	-9.6	10.0	3.2	0.1	3.3
GDP	3.3	4.0	2.5	4.0	2.2	-10.9	13.4	2.7	-0.6	3.1

*Projection. September 2024 Inflation Report.

**Weighted Average of Primary GDP and Non-Primary GDP.

Source: Central Reserve Bank of Peru (BCRP), National Institute of Statistics and Information (INEI).

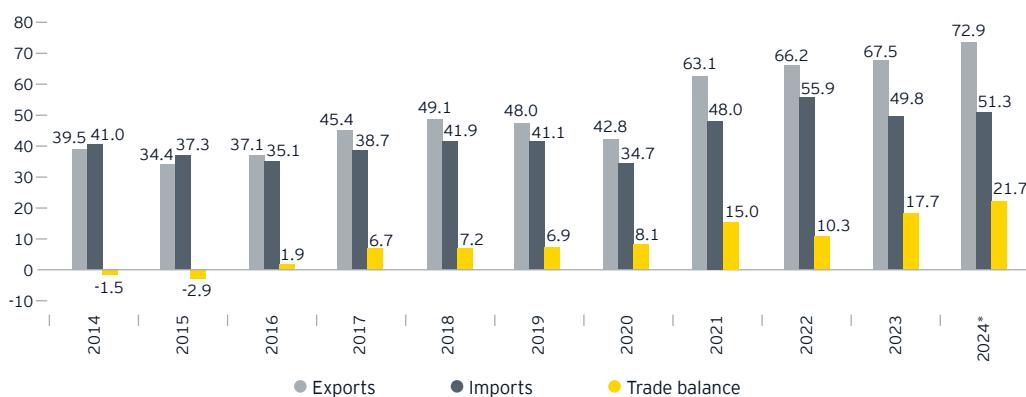
The country has benefited from a steady improvement in its terms of trade since 2000, which has had a positive impact on the trade balance. Moreover, the country has engaged in several bilateral and multilateral trade agreements that have opened new markets for its exports. In 2023, Peru's total exports reached USD67.5 billion, while trade balance reached a historic record of USD17.7 billion.

According to the estimates, Peruvian exports would reach USD72.9 billion in 2024, while imports would account for an approximate amount of USD51.3 billion.



In 2023, traditional exports totaled USD48.9 billion, 73% of total exports abroad. In addition, nontraditional exports were USD18.4 billion in 2023, an increase of 1.6% over the previous year. Likewise, 91% of shipments in 2023 were to countries with which we have free trade agreements.

Trade Balance (in USD billions)



*Projection. September 2024 Inflation Report.
Source: Central Reserve Bank of Peru (BCRP).



1.6

Investment and Country Risk Indicators

Peru has one of the highest investment grade ratings in the region. The factor that supports this rating is the solid economic prospect reflected in growth projections of 3.1% and 3.0% of the Gross Domestic Product (GDP) for the years 2024 and 2025. These economic forecasts are backed by the drop in tax and external vulnerabilities, thus attaining growth with low inflation rates and strong macroeconomic policies. As a result, Peru has obtained the investment grade and attracted international attention.

It is well known that countries with investment grade ratings gain a higher level of confidence that generates more foreign and domestic investment. The risk premium demanded by multinationals and foreign investors is slashed after the upgrade. At the same time, the investment horizon is elongated.



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The upgrade to investment grade has brought Peru a lot of positive attention worldwide. More importantly, it has had a positive impact on the local economy. For this reason, nowadays, many multinational corporations eye the country more seriously, as higher private investment is flowing into the country. This should contribute to alleviate a still complex social situation in Peru, by achieving improvements in employment and decreases in poverty.

Peru's investment grade ratings (long-term debt in foreign currency)

Country	S&P	Fitch	Moody's
Chile	A	A-	A2
Peru	BBB-	BBB	Baa1
Mexico	BBB	BBB-	Baa2
Colombia	BB+	BB+	Baa2
Uruguay	BBB+	BBB-	Baa2
Paraguay	BB+	BB+	Ba1
Brazil	BB-	BB-	Ba2
Bolivia	CCC+	B-	Caa1
Ecuador	B-	B-	Caa3
Argentina	CCC+	CCC-	Ca
Venezuela	N/A	RD	C

As of August 2024.

Source: Standard & Poor's, Fitch Ratings, Moody's.

S&P / Fitch	Moody's	Feature
AAA	Aaa	Risk Free
AA+, AA, AA-	Aa1, Aa2, Aa3	High Grade
A+, A, A-	A1, A2, A3	High Repayment Capacity
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	Moderate Repayment Capacity
BB+, BB, BB-	Ba1, Ba2, Ba3	Some Repayment Capacity
B+, B, B-	B1, B2, B3	Highly Uncertain Repayment Capacity
CCC+, CCC, CCC-, CC	Caa1, Caa2, Caa3	Extremely Vulnerable to Default
SD/RD	C	Default

Source: Bloomberg.

Evolution of the long-term debt rating in foreign currency

Agency	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024*
Fitch	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB
S&P	BBB+	BBB	BBB	BBB	BBB-						
Moody's	A3	A3	A3	A3	A3	A3	Baa1	Baa1	Baa1	Baa1	Baa1

*As of August 2024.

Source: Standard & Poor's, Fitch Ratings, Moody's.

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1.7

E-government and Digital Transformation

A. Secretariat of E-Government and Digital Transformation (SGTD, by its acronym in Spanish)^{viii}

It is the technical regulatory authority at the national level in matters of (i) E-Government, (ii) Digital Trust and (iii) Digital Transformation.

It is the governing body of the National Digital Transformation System responsible for leading the processes of technological innovation and digital transformation of the Peruvian State. It is also the National Digital Governance Leader responsible for the digital governance of the cross-cutting use and strategic adoption of digital technologies and data in the Peruvian State.

In exercising its functions, it coordinates actions with entities of the Public Administration, civil society, citizens, academia and the private sector.



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B. Main Initiatives and Actions

1.	Approval of the National Policy for Digital Transformation by 2030.	Official launching of the National Data Center.	Approval of Regulations to Law No. 30999, the Cyber Defense Act.		Creation of the National Network of Digital Innovation Laboratories, a space that integrates and connects all public laboratories in the country.	Approval of the Basic Digital Basket Program 2024-2026, which aims to strengthen the implementation of digital citizenship and promote digital inclusion in our country.
2.	July 2022	September 2023	February 2024	March 2024	April 2024	May 2024
3.	Law No. 31814 is published, which promotes the use of artificial intelligence.		The Digital Accessibility Seal is created to contribute to equal opportunities and the integration of people with disabilities.	The third edition of the International Recognition in Open Data 2024 is announced.	The objectives and guidelines of the Digital Girls Peru Program are approved and the digital channel "Digital Girls Peru Program" is created in the Gob.pe platform.	The draft Regulation of the Artificial Intelligence Act is published.
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C. Relevant Regulations^{viii}:

The Secretariat of E-Government and Digital Transformation comprises the following regulations in force:



- 1.** Administrative Simplification Measures (Legislative Order 1246)
- 2.** Law on and Regulations to Digital Signatures and Certificates (Law 27269)
- 3.** E-Government Act and Regulation (Legislative Order 1412 and Executive Order 029-2021-PCM)
- 4.** Law and Regulation for the Promotion of the Safe and Responsible Use of Information and Communication Technologies by Children and Adolescents (Law 30254 and Executive Order 093-2019-PCM)
- 5.** Digital Trust Framework (Emergency Decree 007-2020)
- 6.** Guidelines for the Comprehensive Conversion of Administrative Procedures to Digital Platforms or Services (Secretariat Resolution of E-Government 001-2021-PCM/ SGD)
- 7.** Cyber Defense Act and Regulations (Law 30999 and Executive Order 017-2024-PCM)
- 8.** Law that Promotes the Use of Artificial Intelligence (Law 31814)

1.8

Technological and Digital Infrastructure

A. Relevant Data and Statistics

At the end of the second quarter of 2024, according to OSIPTEL, operators reported 3.88 million Internet connections in Peru, 15.2% more than the connections registered in the same period of the previous year.^{ix}

According to the National Institute of Statistics and Informatics (INEI), through its technical report "Statistics of Technologies and Communication in Households," prepared with the results from the second quarter of 2024 National Household Survey: 96.1% of households have at least one member with a mobile phone.



Evolution of Fixed Internet Connections in Peru



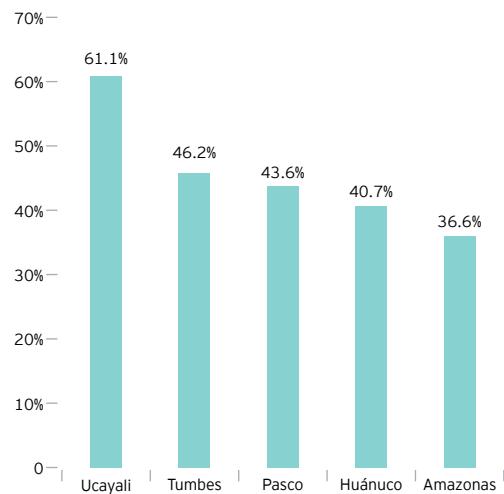
Source: PUNKU-OSIPTEL (cut-off date October 1, 2024).

Likewise, as of June 2024, fiber optic connections represent 65.5% of total fixed internet connections, 18.8% more than the same period of the previous year. This is due to the decreasing use of cable modem, which currently represents 30.1% of connections^{ix}.

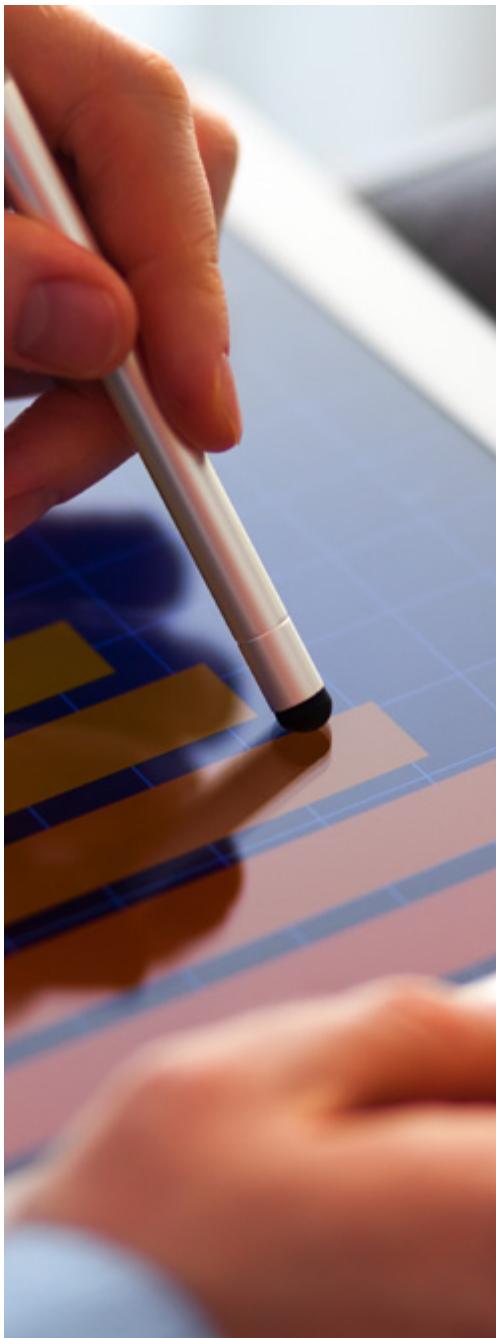
It should be noted that, at a geographical level, although connections in Lima and Callao increased by 11.4% in the second quarter of 2024 compared to the same period of 2023, there was a percentage growth of 20.4% in other regions of the country, as a whole.

In fact, the regions currently account for 43.5% of the national market with 1.69 million connections^{ix}. The following shows the progress in the number of fixed Internet connections in the regions.

Regions of Peru with the highest percentage of increase in fixed internet connections



Source: OSIPTEL. Fixed Internet access grew at double digits and closed the second quarter of 2024 with 3.88 million connections.



B. Digital Identification System

Peru has in place Digital Identification Systems with the purpose of strengthening digital services through digital verification of the identity of Peruvian or foreign individuals, who have a Unique Identification Code or a Unique Foreigner Code (CUI and CUE by its acronym in Spanish, respectively).

The regulatory framework for digital identity comprises the following regulatory instruments:

- 1.** Legislative Order 1412, E-Government Act^x.
- 2.** Executive Order 029-2021-PCM, Regulations to the E-Government Act^{xi}.
- 3.** Emergency Decree 007-2020, Digital Trust Framework, which regulates the obligations of Digital Service Providers^{xii}.

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1.9

Payment Systems and Agreements^{xiii}

A. Payment Agreement Systems

According to the BCRP:

- The Digital Payments Indicator (DPI) showed an 89% increase in the number of transactions between March 2023 and March 2024.
- The number of digital payments per adult grew 75% in 2023 compared to 2022, reaching 266 digital payments per capita.
- The scope of interbank transactions has demonstrated exponential growth in both value and number of transactions due to the use of digital wallets in such transactions since March 2023 as a result of interoperability.
 - As of March 2024, over 347 million monthly transactions involving transfers between digital wallets were recorded.

As reported by the BCRP in the Financial Stability Report of May 2024, the evolution driven by the introduction of interoperability among the main digital payment wallets as of March 2023, has allowed consolidating the trend of digitalization of payments, which was already growing as a consequence of the pandemic.

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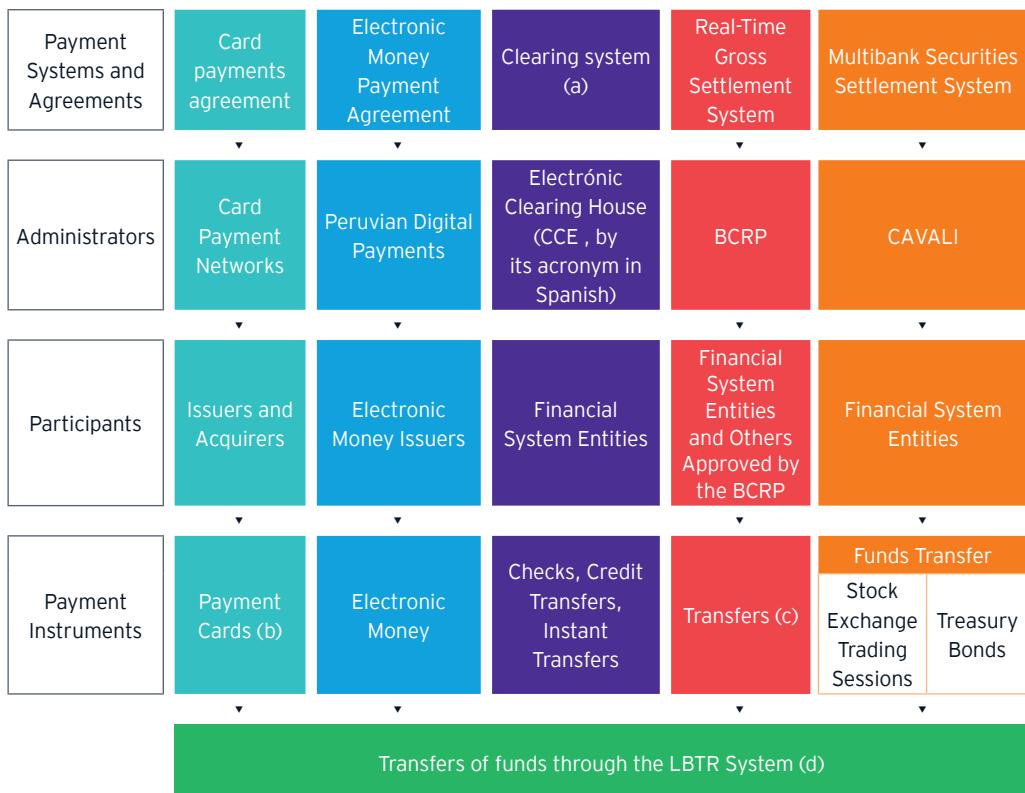
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The importance of payment systems in each country lies in ensuring the efficiency and security of the processes required for the execution of payments made through non-cash instruments and channels.

In Peru, the regulations, procedures, agreements and payment systems are supervised and regulated by the BCRP.

In this regard, the Payment Systems and Agreements in Peru are developed as follows:

Peru: Systems and Agreements of Payments



- a) Check Clearing and Settlement System and Other Clearable Instruments
- b) The settlement involves settlement agents and paying banks.
- c) Includes transfers between participants, on behalf of clients, and for transactions in the foreign exchange market and for operations with BCRP Securities.
- d) In the RTGS system, Central Bank monetary operations are also settled.

Source: Central Reserve Bank of Peru (BCRP).

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B. Low Value Payment Systems

In March 2024, low-value payments showed an 89% growth in number versus March 2023, showing the population's increased preference for immediate payments.

B1. Clearing and Settlement System by the CCE^{xiv}

Low-value payments are cleared electronically through the CCE, which encompass the clearing of payment instruments such as checks, credit transfers, and other transfers, including the use of digital wallets. According to the BCRP:

- ▶ As of March 2024, immediate transfers in the CCE continued to grow, as the value of these increased by 40% and the number of transactions increased by 30%, compared to March 2023.
- ▶ Credit transfers and check transactions continued to decline.
- ▶ Wallet and payment card operations for transactions that were traditionally carried out with cash are on the rise.
- ▶ Compared to March 2023, as of March 2024 the total number of transfers made through digital wallets increased by 113%.

B2. Electronic Money (e-money)

- ▶ The BCRP has indicated that in March 2024, the value of payments and transfers with Bim increased by 65% and their number increased by 37% with respect to March 2023, despite their low participation in total retail payments.



B3. Card Payment Agreements (CPA)

► In March 2024, the number of card payments has increased 82% compared to March 2023, highlighting the higher growth of payments with debit cards than those with credit cards, mainly in the e-commerce sector.

► Card Payment Networks, Issuers, Acquirers and Payment Facilitators are required to register in the Registry created by the BCRP. The Registry of CPA has 71 entities participating in different payment agreements, as shown below.

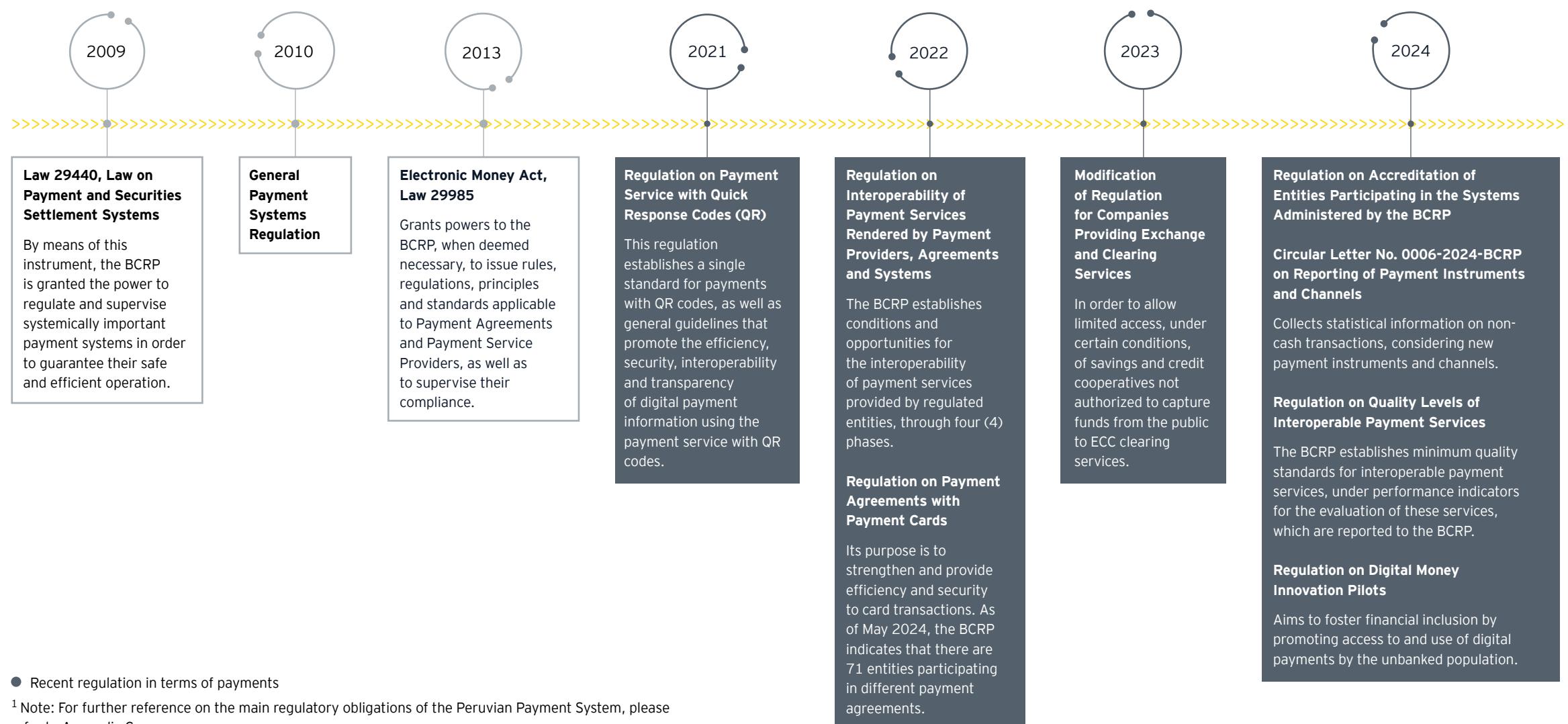
Role of Entity	Card Payment Network			
	Visa	Mastercard	American Express	Diners
Issuers	36	19	2	1
Acquirers	5	5	1	1
Payment Facilitators	20	19	14	14
Total	61	43	17	16

Source: Central Reserve Bank of Peru (BCRP). Financial Stability Report. May 2024. Table 5.5. Page 72.



C. Regulation Applicable to the Peruvian Payment System

Evolution of the Peruvian Payment System Regulation¹



1.10

Banking Penetration and Financial Inclusion

A. What is Financial Inclusion?

Financial inclusion is defined by the BCRP as "access to and use of quality financial services by all segments of the population". Access is understood as the possibility of finding access points and infrastructure and a high-quality offer in the service market.

In addition, use should be understood as the frequency and intensity with which these services are used and, finally, the quality of financial services refers to the fact that their characteristics are in line with users' needs.





In this context, the financial inclusion process involves not only the possibility of having access to this type of services, but also that all segments of the population make a continuous and prudent use of these services. As will be explained further below, the adoption of financial services offers several benefits to society.

According to the Superintendency of Banking, Insurance, and Private Pension Fund Management Companies (SBS), financial inclusion should be understood as a means to improve the wellbeing of the population, allowing the following, among other aspects:

- ▶ Save capital surpluses in a secure manner so users can carry out future investments.
- ▶ Access financing for undertaking income-generating activities, both for individuals and companies.
- ▶ Strengthen the ability to withstand losses by effecting insurance.
- ▶ Access cash to cover specific expenses.
- ▶ Increase business productivity and profitability through payment transaction facilities.

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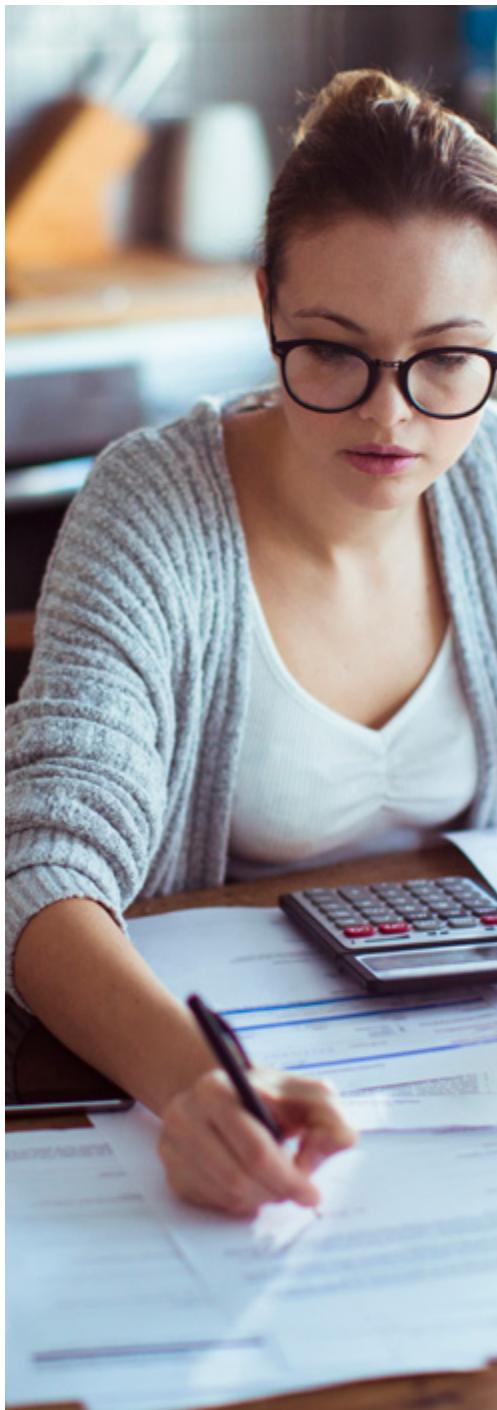
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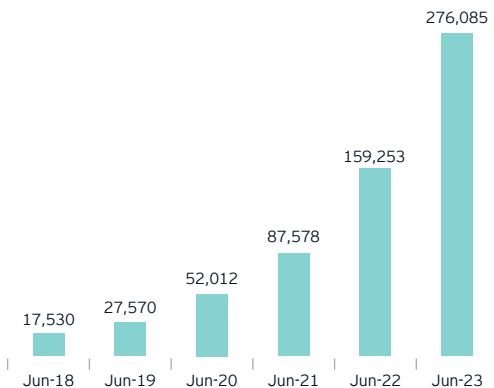


B. Use of Infrastructure

According to the report on financial inclusion indicators of the financial, insurance and pension systems prepared by the BCRP, there has been an increase in the number of virtual banking transactions between June 2022 and June 2023.

It should be noted that these transactions include, among others, payments made through internet, corporate software, client software, telephone banking and mobile banking.

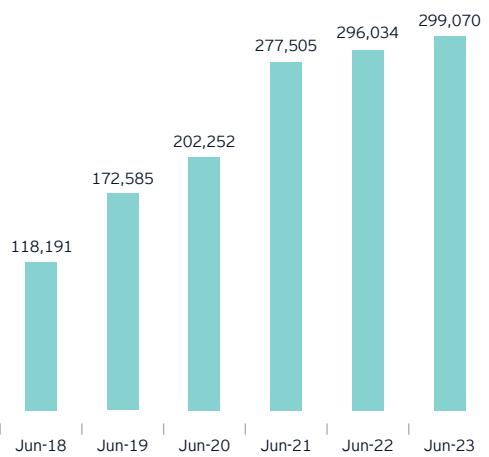
**Number of Virtual Banking Transactions
(In thousands)**



Source: Central Reserve Bank of Peru (BCRP) - Payment System Statistics. Considers payments through internet, corporate software, client software, telephone banking and mobile banking.

The amount of such transactions have also increased from PEN296.0 billion in June 2022 to PEN299.1 billion in June 2023.

Amount of Virtual Banking Transactions (in PEN Million)



Source: Central Reserve Bank of Peru (BCRP) - Payment System Statistics. Considers payments through internet, corporate software, client software, telephone banking and mobile banking.

The information is reported by banking companies, Banco de la Nación and other companies of the financial system that participate in clearing and settlement systems for checks and other clearing instruments, managed by the *Cámara de Compensación Electrónica S.A.* (Electronic Clearing House).



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FINTECH OVERVIEW

2.1

FinTech

FinTech is, in simple terms, a technological innovation applied to financial services. Thus, when we talk about FinTech (Finance + Technology) we refer to a sector of the economy or groups of businesses characterized by providing financial services or services supplementary thereto, strongly supported by the use of digital technologies.

In addition, we can also mention that it encompasses a wide range of innovations and business models aimed at improving and automating financial processes and services, such as payments, money transfers, investments, insurance and lending. It may include financial products or services provided by companies regulated and supervised by a financial authority (e.g. bank).



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FinTech Verticals

Payments and Transfers:

Digital solutions to make payments or fund transfers, domestically or internationally, that are accepted in physical establishments or in e-commerce. It includes sending and receiving funds from abroad (remittances) and digital solutions that facilitate or execute processes at some stage of the payment processing cycle (e.g. acquirers).

Lending:

Digital platforms or applications whereby the publication of offers and/or contracting of loans is facilitated, which includes person-to-person (P2P), business-to-person (B2P) or business-to-business (B2B) lending. It also includes financial leasing operations.

Crowdfunding:

Digital platforms or applications whereby a plurality of investors or donors can place or send money to projects for various purposes. It includes the modalities of lending, equity and/or debt securities, and donations, among others.



Factoring:

Businesses dedicated to the acquisition and commercialization of negotiable invoices and other credit instruments, operating through digital platforms or applications, as well as those that allow their users to transfer and invest in the acquisition of invoices and other instruments offered on a digital platform or application (e.g. crowdfactoring).

Foreign Exchange:

Digital platforms or applications whereby the offering and buying and selling of currencies is facilitated virtually, including those platforms that allow their users to buy and sell currencies among themselves.

Insurtech:

Digital solutions used in the execution of processes and/or services of an insurance company, including platforms that facilitate the effecting of insurance, as well as technological tools that automate processes of an insurer (e.g. artificial intelligence for claims management).

Finance Management:

Digital solutions that seek to facilitate or improve the money management of an individual or company. These include budgeting, financial education, and business financial management and advice applications.

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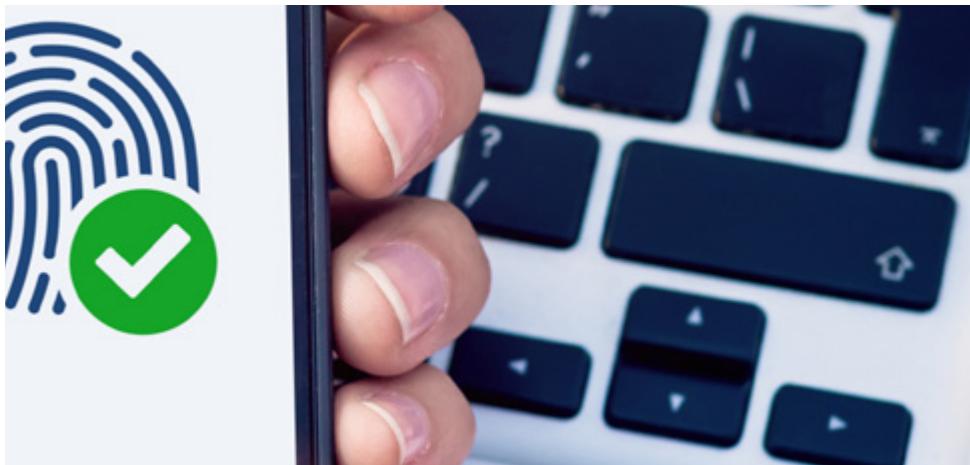
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Wealth management:

Advisory, sales and asset management services using digital solutions and/or automated platforms (e.g. robo advisor).

Virtual Asset Services:

Digital platforms or applications that facilitate or enable access to financial services or products with virtual assets (e.g. cryptoassets, tokens, etc.). This includes virtual asset trading or exchange services, as well as the transfer of virtual assets.

FinTech as a Service (FaaS):

Digital technology solutions related to financial business or financial technology for entities that provide financial services and/or products (e.g. lending company) such as KYC solutions, infrastructure and/or technology platform, data analytics, transaction processing, account opening, etc. These services are offered through cloud-based platforms, APIs and software-as-a-service (SaaS) solutions.

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EY Peru FinTech Index 2024

Payments and Transfers

- Culqi
- La Mágica
- Ligo
- Pay U
- Plata
- Tienda Pago
- Chaty
- Máximo
- Yellow Pepper
- Agente Kaznet
- Provis
- Yape
- BIM
- Izipay
- Pago Efectivo
- Vende más
- Voygo
- Plin
- Izipay Ya
- Agente Cash
- Latin pay
- Kipus
- Prex
- Global Bridge Connections
- Tranzfer.me
- Flow Pagos
- Global66
- Monnet Payment Solutions
- Niubiz
- Alignet
- Dlocal
- Kushki
- Fullcarga
- Mercadopago
- Online IPS
- Openpay
- Pagsmile
- Paymentez Peru
- PayToPerú
- PPRO
- SumUp Perú
- Unibanca
- Waiky app
- Payment Latam
- Agora Pay
- Geopagos
- Mango Cash
- Druo
- Ya Ganaste
- Payretailers
- Ebánx
- Traund
- Kashio
- Paio
- Dale
- Paygo
- Pay-me
- Tukuy
- Pronto Paga
- Superfina



Lending

- Crediface
- Hola Andy
- Kontigo
- Tappoyo
- Chapacash
- Prestamype
- Agroinvesting
- Altera Finance
- Vivelia
- Waki
- Prestaclub
- Palgo
- Apurata
- Rebaja Tus Cuentas
- Inversiones Kimer
- Cima
- B89
- Leasy
- Anticipate
- Credigob
- Adelantos Móvil
- Solventa
- Lima Bikes
- Instacash
- Baldecash
- Wolet
- Somos Moto
- Alprestamo
- Contigo En Todo
- Lizzo
- TusueldoYa!
- Cuotéalo
- Merite
- Kapitalize Ya
- Tukompa
- Bantra
- Kashin
- Rapimoney
- Divídelo
- Yape Prestamos
- Unocredito
- Credifast
- Tucompa
- ALPRESTAMO
- ONE CANAL
- QIPU
- Perucash
- Komodo
- RIBO
- Cumpa PE
- DOMEIN
- Kambia
- Emprestame
- OHSHIPAY



Crowdfunding

- Inversiones IO
- Afluenta
- Noviosabord
- Sin Envolturas
- Una Manito
- Yuntas
- Ahorra Seguros
- Seguro Simple
- Amerins
- Consejeros Corredores de Seguros
- Firefly
- Iglu
- Inventiva
- Vip seguros
- Map salud
- Zuru Logistics
- Innova-funding
- Red Capital Peru
- Klimb
- Finsmart
- Findotech
- Cumplio

Insurtech



Factoring

- Innova-funding
- Red Capital Peru
- Klimb
- Finsmart
- Findotech
- Cumplio

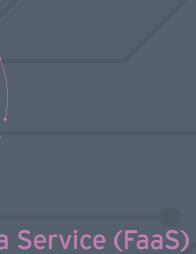
Foreign Exchange

- Billex
- Rextie
- Assessor
- Safex
- Kambista
- Cambia FX
- Securex
- Tu Cambista
- TKambio
- Cambia FX
- Cambix
- CambioX
- Chasqui Dólar
- Midpoint FX
- Betriax
- X-Cambio
- Cambio Seguro
- Yanki
- Instakash
- Acomo
- Firbid
- Cocos y Lucas
- Fluctúa
- InkaMoney
- We Exchange
- Decamoney
- Money House



Wealth management

- Zest Capital
- New Capital Securities
- Regum
- Hapi
- Tyba
- Flip Inversiones
- Proper
- Tratocorp



FinTech as a Service (FaaS)

- Credinnova
- 4ToldFinTech
- Novopayment
- Gmoney
- RedPontis
- Maximo
- Inswitch
- Floid
- Tapi
- Pomelo
- Dock
- Technisys
- Telesign
- Cobis Topaz
- Prometeo
- Bankingly
- Stamping io
- Fintech Marketplace (Big Dat SAC)
- Bantotal



Finance Management

- Wepayu
- Tasatop
- Qualus
- Comparabien
- Risko
- Vecinos 360
- Wally
- Mibolsillo
- Inversión Simple
- Mi Sentinel
- Equifax
- Alfi
- Agros
- Inspira
- Preauth
- Organize (BCP)
- Atena
- Frankrolando Fintech
- Tenmás app
- Factureya
- Factesol
- Keyfacil
- Efact
- Negosy
- Sibi
- Tunegocio.pe
- Sussi
- Lamágica
- Tiendapago



Virtual Asset Services

- Buda.com
- Lets Bit
- BuenBit
- Fluyez
- AgenteBTC
- Banexcoin
- Tulkit Pay
- The Meteor.io
- Cryptomarket
- Aqku
- Coini
- Block4e
- Nemo
- Gemini

Estimated total number of Peruvian FinTech companies: 237

*As of July 2024. The list of FinTech solutions is for reference only. Source: EY Law Peru, National Superintendency of Customs and Tax Administration (SUNAT).

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FinTech Growth

At the close of 2014, there were a total of 50 FinTech ventures in Peru. Currently, according to the EY Peru FinTech Index 2024, there are approximately 237 FinTech companies.

Compared to last year, Peru shows an approximate growth of 17%.

In this edition, it is relevant to highlight that the number of Payments and Transfers FinTech companies increased to 60, surpassing the Lending vertical, which registered 54 FinTech companies. As last year, the main FinTech verticals in Peru continue to be Payments and Transfers and Lending, respectively; except that this year the Finance Management vertical has been added in third place.

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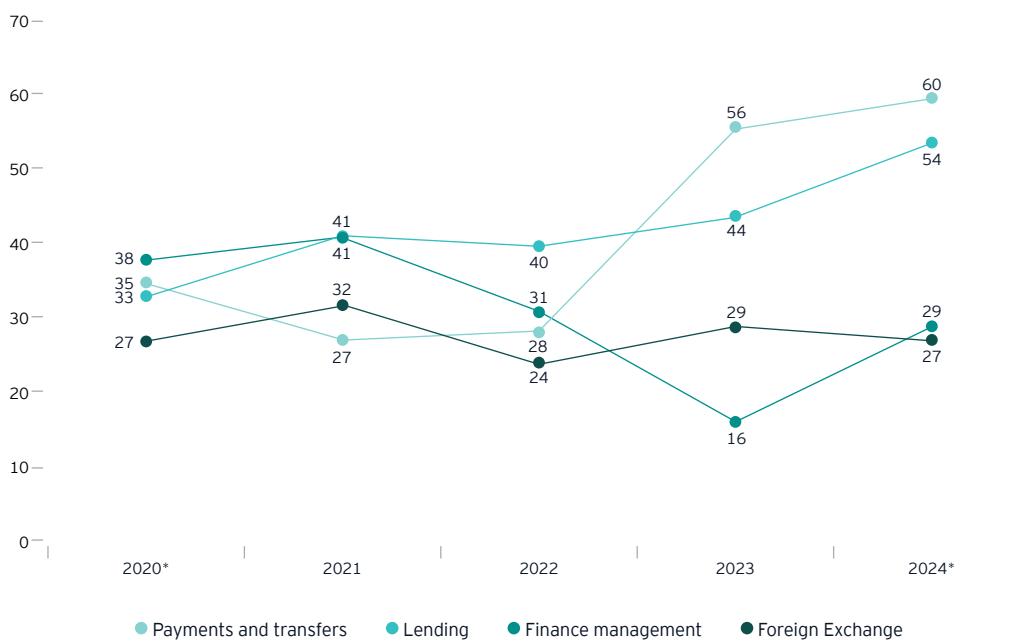
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FinTech evolution in Peru 2020 - 2024



*As of July 2024. Study conducted by Equifax and Emprende UP.

Source: EY Perú Fintech Index.

- From the analysis of the chart FinTech Evolution in Perú 2020-2024, it is pertinent to highlight the growth in the Payments and Transfers vertical. Although the most significant growth occurred from 2022 to 2023, mainly due to interoperability, with the upcoming arrival of Phase 4, it seems reasonable to expect a new surge.
- Secondly, despite the social, political, and economic circumstances, we can see that the lending vertical has maintained steady growth over the last five years. Offering more personalized and flexible services allows them to continue being an alternative for users to consider.
- Finally, the Finance Management vertical has surpassed Foreign Exchange to take third place. This indicates that an increasing number of people are seeking alternative ways to invest their savings in various financial instruments.

FINTECH BUSINESSES IN PERU



3.1

Incorporation of Unregulated Companies

Corporations

The corporate structures regulated by Peruvian law fulfill different objectives and purposes, which respond to the needs of those incorporating such corporations. The following are the most commonly used corporate structures:



Joint Stock Company

(Sociedad Anónima - S.A.)

Shareholders' Meetings

Held in person and/or remotely. Remote meetings shall be possible as long as the bylaws so allow and/or there is no legal prohibition.

Minimum Capital Stock

There is no minimum capital stock required. However, local financial institutions usually require a minimum amount of PEN1,000 to make the initial capital deposit.

Number of Shareholders

2 - 750 shareholders

Share Transfers

- Free transfer of shares.
- Transfers must be registered in the share register.

Governing Bodies

- Shareholders' Meeting
- Board of Directors
- Management

Legal Reserve

10% of profits for each fiscal year, after income tax, until reaching an amount equal to one fifth (1/5) of the capital stock.

Profits

Obligation to distribute profits if the corporation has more than 20 employees.

Closely-Held Corporation

(Sociedad Anónima Cerrada - S.A.C.)

Shareholders' Meetings

Held in person and/or remotely.

Minimum Capital Stock

There is no minimum capital stock required. However, local financial institutions usually require a minimum amount of PEN1,000 to make the initial capital deposit.

Number of Shareholders

2 - 20 shareholders

Share Transfers

- Shareholders have preemptive rights (but may be eliminated pursuant to the bylaws).
- Transfers must be registered in the share register.

Governing Bodies

- Shareholders' Meeting
- Board of Directors (optional)
- Management

Legal Reserve

10% of profits for each fiscal year, after income tax, until reaching an amount equal to one fifth (1/5) of the capital stock.

Profits

Obligation to distribute profits if the corporation has more than 20 employees.

Limited Liability Company

(Sociedad Comercial de Responsabilidad Limitada - S.R.L.)

Shareholders' Meetings

Held in person and/or remotely. Remote meetings shall be possible as long as the bylaws so allow and/or there is no legal prohibition.

Minimum Capital Stock

There is no minimum capital stock required. However, local financial institutions usually require a minimum amount of PEN1,000 to make the initial capital deposit.

Number of Shareholders

2 - 20 members

Share Transfers

- Transfers shall be communicated to other shareholders so they may exercise their preemptive rights.
- Transfers must be registered with the Public Records Office.

Governing Bodies

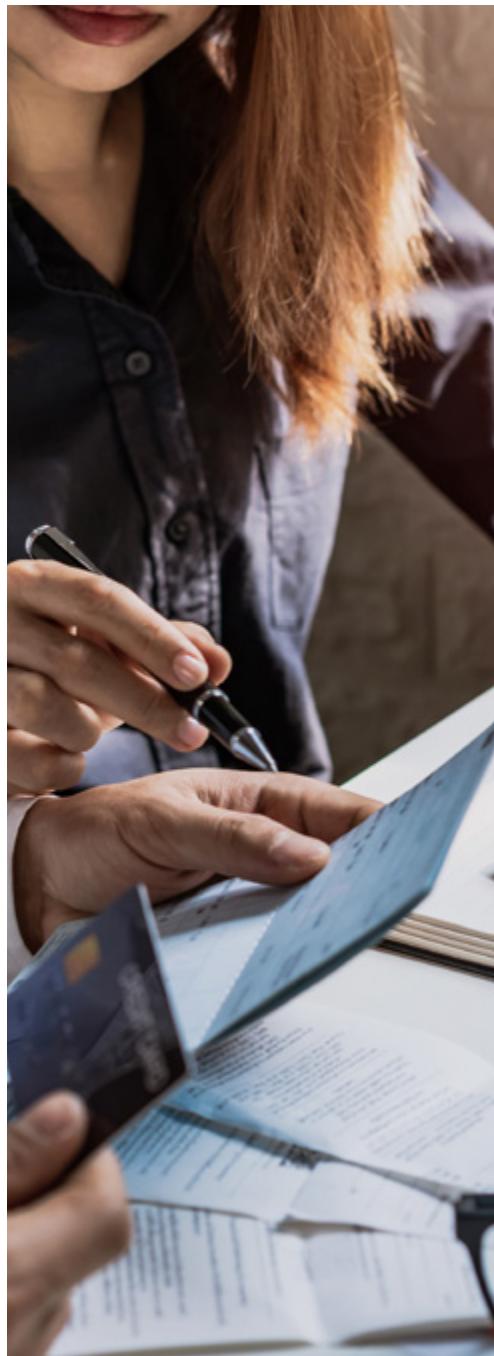
- Members' Meeting
- Management

Legal Reserve

No obligation to allocate part of its profits to a legal reserve.

Profits

No obligation to distribute profits.



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Branches

Branches are secondary establishments through which a corporation, whether national or foreign, carries out activities at a location other than its domicile. Branches are not separate legal entities. The parent company is liable for the branches' obligations.



Procedure to be Followed for the Incorporation of Companies and Branches in Peru

A

Procedure for the Incorporation of Companies

1

Search and Reservation of Trade Name

A search is required to verify whether the name of the company we intend to incorporate matches any other complete or abbreviated name, or corporate purpose. The procedure is carried out with the National Superintendence of the Public Records Office (SUNARP) and can be performed online.

2

Drafting of Preliminary Deed of Incorporation

It must include the articles of association and the bylaws of the corporation.

- The Preliminary Deed (Minuta) shall indicate whether the shareholders or incorporators are individuals or legal entities, national or foreign.
- If the shareholder is a legal entity, it must grant a power of attorney in favor of an individual to carry out the incorporation procedure.

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3**Payment of Initial Capital Stock and Assets**

At least 25% of the par value of the shares shall be subscribed and paid up at a Peruvian banking institution.

- If the shareholder is a foreign legal entity, in addition to the power of attorney mentioned above, said shareholder shall also send the following to Peru: (i) a certificate of good standing and (ii) a certificate of incumbency whereby a legal representative states that the grantor of the power of attorney is duly authorized, in accordance with the company's bylaws and the laws of the country of origin, to act as representative of the company and grant powers of attorney on its behalf.
- The power of attorney, the certificate of good standing and the certificate of incumbency issued abroad must be apostilled or legalized, as appropriate, in the foreign country and then sent to Peru. Likewise, in case these documents are issued in a language other than Spanish, they must be translated in Peru by a sworn translator.

4**Execution of the Preliminary Deed of Incorporation and, if Applicable, a Statement Accepting the Appointment to the Position of Director**

- If the company has a Board of Directors, the appointed members shall execute an affidavit expressly stating that they accept the position of director. Their signatures shall be notarized by a Peruvian notary public.
- If a director is foreigner, the affidavit shall be apostilled or legalized, as the case may be, in the foreign country and then sent to Peru. If the affidavit is issued in a language other than Spanish, it must be translated in Peru by a sworn translator.

5**Submission of Documents to Notary Public**

- The preliminary deed of incorporation, the certificate of deposit of the initial capital stock and, if applicable, other supplementary documents (e.g., acceptance of directors, power of attorney of foreign shareholder) shall be submitted to a Peruvian notary public.

6**Execution by the Notary Public of the Notarially Recorded Instrument Evidencing the Incorporation**

7

Presentation of the Notarially Recorded Instrument to the Public Records Office

8

Registration Certification
Although the legal term is seven (7) to ten (10) business days, in practice the registration process takes approximately two (2) weeks.

9

Registration of the Company with the Public Records Office

10

Obtainment of Tax ID Number (RUC) from the National Superintendency of Tax Administration (SUNAT)

The RUC number must be obtained from SUNAT and the SOL pin must be activated.

11

Notarization of Corporate Books

The company shall legalize the relevant minute books (for example, the minute book of shareholders' meetings) through a notary public.

12

Other Applicable Processes after the Incorporation of the Company

The incorporation of the company has been carried out if all the preceding points are followed. However, other applicable formalities must be carried out, such as registering payroll workers with the Ministry of Labor, obtaining a municipal operating license, etc.



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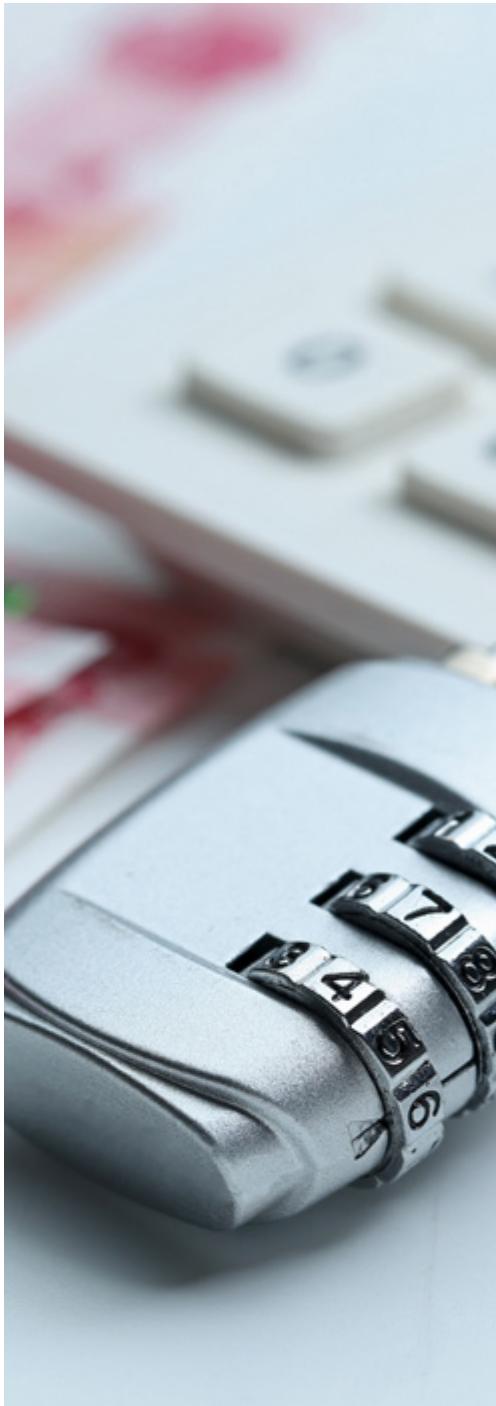
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Procedure for Establishing a Branch of a Foreign Corporation

Drafting of Agreement for the Establishment of a Branch in Peru

- ▶ This agreement shall be adopted by the competent body of the parent company.
- ▶ The following documents shall also be sent to Peru: (i) Copy of the articles of organization, of the bylaws, and of equivalent instruments; (ii) certificate of good standing and (iii) certificate of incumbency, whereby the legal representative states that the competent body is duly authorized, in accordance with the bylaws of the parent company and with the laws of the country of origin, to accept the agreement for the establishment of the branch.

Signing of Documents and Delivery to Peru

- ▶ All documents issued abroad shall be apostilled or notarized, as appropriate, in the foreign country and then sent to Peru.
- ▶ If documents are issued in a language other than Spanish, they must be translated in Peru by a sworn translator.

- 3 Execution by the Notary Public of the Notarily Recorded Instrument
- 4 Presentation of the Notarily Recorded Instrument to the Public Records Office
- 5 Certification of Registration
Although the legal term is seven (7) to ten (10) business days, in practice the registration process takes approximately two (2) weeks.
- 6 Registration of the Company with the Public Records Office
- 7 Obtainment of Tax ID Number (RUC) from the National Superintendency of Tax Administration (SUNAT)
The RUC number must be obtained from SUNAT and the SOL pin must be activated.

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3.2

Incorporation of Regulated Financial Companies

I. Incorporation of Companies Regulated by the SBS

In Peru, any person who seeks to carry out activities restricted by law, such as financial brokerage, as established in the General Act on the Financial and Insurance Systems and the Internal Organizational Law of the Superintendence of Banking and Insurance (SBS) - Law 26702 (General Act) must first obtain from the SBS the relevant authorizations for organization and operation. The SBS is responsible for supervising, regulating and authorizing the incorporation and operation of companies in the financial and insurance systems.

The minimum capital stock is a requirement for financial companies regulated by the SBS. This amount is a constant value and is updated quarterly, based on the Wholesale Price Index published every month by the National Institute of Statistics and Information (INEI).

On July 8, 2024 SBS Circular Letter G-224-2024 was published, which updated the minimum capital stock required for companies supervised by the SBS.

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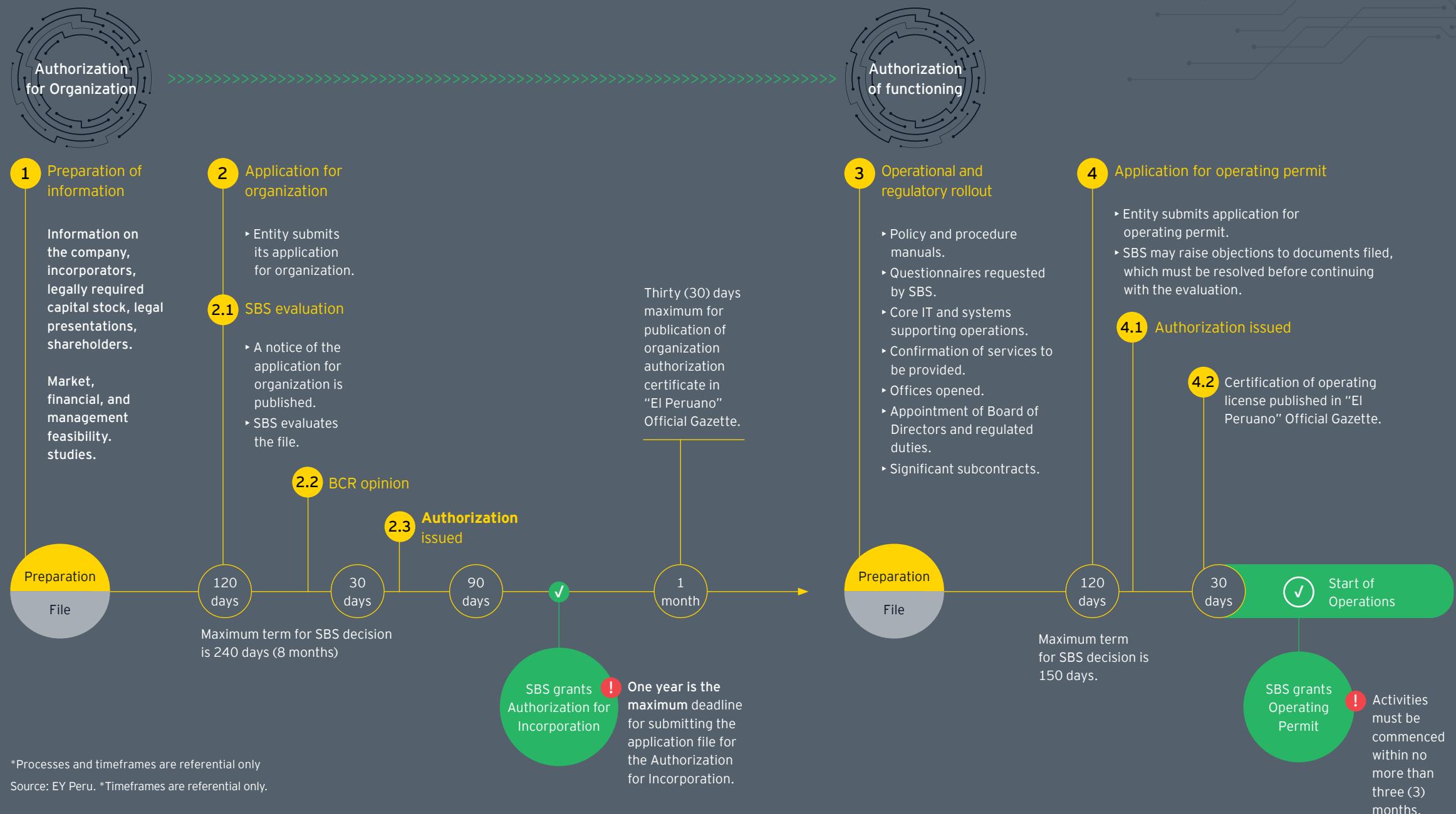
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Minimum capital stock

Type of Company	Company	Regulatory Share Capital (PEN)
A. Multi-Operations Companies	1. Banking companies	33,162,600
	2. Financial companies	16,676,900
	3. Municipal savings and loan institutions	16,676,900
	4. Municipal popular loan institutions	8,894,400
	5. Loan companies	1,507,600
	6. Savings and loan cooperatives authorized to capture resources from the public.	1,507,600
	7. Rural savings and loan institutions	1,507,600
B. Specialized Companies	1. Real estate capitalization companies	8,894,400
	2. Leasing companies	5,425,600
	3. Factoring companies	3,015,200
	4. Bonding and guarantee companies	3,015,200
	5. Trust service companies	3,015,200
	6. Mortgage administration companies	5,443,100
C. Investment Banks	1. Investment Banks	33,162,600
D. Insurance Companies	1. Companies operating within a single line of business (property & casualty or life risks)	6,030,400
	2. Companies operating within both lines of business (property & casualty and life risks)	8,289,600
	3. Insurance and reinsurance companies	21,104,100
	4. Reinsurance companies	12,814,600
E. Supplementary and Related Service Companies	1. Bonded warehousing	5,425,600
	2. Cash transportation, custody and management companies	15,565,200
	3. E-money issuing companies	3,015,200
	4. Funds transfer companies	1,507,600

Procedure to incorporate a company regulated by the SBS

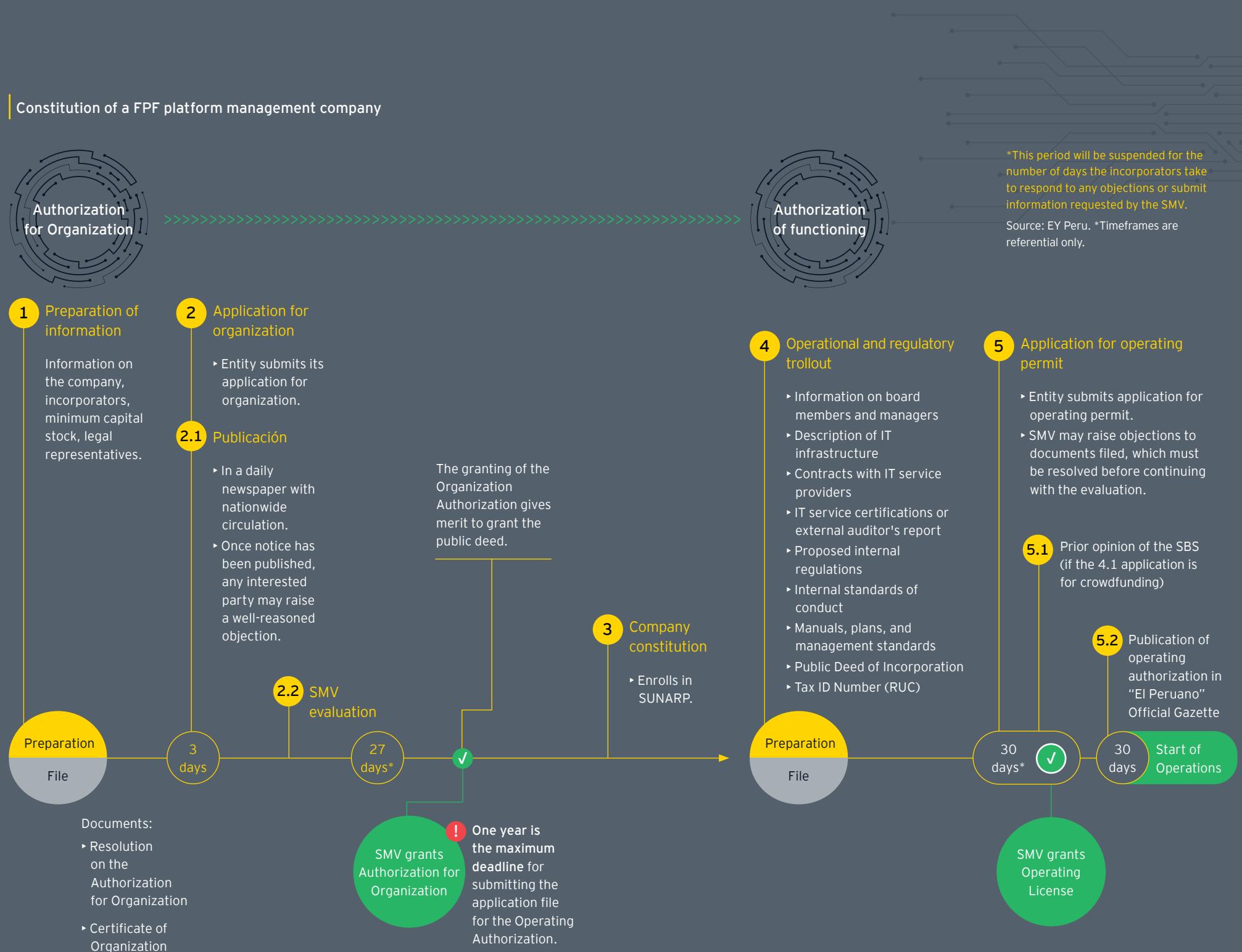


*Processes and timeframes are referential only

Source: EY Peru. *Timeframes are referential only.

II. Incorporation of Crowdfunding Companies

As will be explained further below in this Guide, crowdfunding platform management companies are regulated and supervised by the SMV. The SMV informed on January 15, 2024 that the minimum capital stock for fiscal year 2024 to be maintained by these companies amounts to PEN357,053.60^{xv}, in accordance with the Crowdfunding Activities Regulations, approved by Superintendent's Resolution 045-2021-SMV/02.



Business Alliances

From a conceptual point of view, a key factor in measuring the maturity and development of the FinTech ecosystem in a country is the relationship and openness of traditional players to innovation and entrepreneurship in the financial system.

While for years the region had already shown a favorable trend in terms of potential collaboration between traditional companies in the financial system and FinTech, strategic alliances have been on the rise in 2021.

From a regulatory point of view, strategic alliances between companies in the financial system and FinTech stand out for having a proportional and balanced regulatory regime. While they do not require prior authorization from regulatory bodies, the current regulatory framework establishes certain guidelines to be considered depending on the scope of the collaboration and the conditions of each company:

- New Product:** It is vital to perform a legal regulatory analysis of the financial service to be offered through the alliance to determine whether or not we are dealing with a product launched for the first time by the company in the financial system or with a change in an existing product that significantly changes its risk profile.

- Third-party Services (Including Outsourcing):** Let us recall that goods and/or services provided by third parties to companies in the financial system are regulated and supervised by regulatory bodies. As a general rule, the financial company shall assume full responsibility for the results of the processes outsourced to third parties, and may be punished for non-compliance.

- Operational Risk:** Traditional companies in the financial system are subject to operational risk management requirements, such as business continuity, data security and cybersecurity, which must be guaranteed in a strategic alliance to reduce any regulatory contingency.

- Use of Application Programming Interfaces (APIs):** Companies in the financial system that use APIs to provide online services must implement the security measures required by the SBS.

- Tax Treatment:** The contractual legal relationship resulting from the strategic alliance may have tax implications. Thus, it is advisable to prepare a tax strategy for the Income Tax and VAT, as applicable, which may arise from the agreement between the parties.

Below we outline the main structures of business alliances that may be established, which will need to be evaluated on a case-by-case basis to determine the most advisable depending on the parties' interests.

A. Consortia

These are created through an agreement whereby two or more parties form a partnership to participate actively and directly in a given business or enterprise for the purpose of obtaining an economic benefit, with each one of them maintaining its autonomy. Each party may keep accounting books for its operation, or one of them may carry out the accounting for the agreement. The tax treatment for the Income Tax and VAT will vary depending on the type of consortium chosen.

B. Silent Partnership

By means of an agreement, one party, known as the associating party, grants to another party or parties, known as associate parties, a share in the income or earnings of one or more of the associating party's businesses or enterprises, in exchange for an established contribution. The silent partnership does not have a corporate name or denomination.

Regarding the tax treatment of the VAT, regulations state that the community of goods, consortia, joint ventures or other forms of business collaboration agreements that keep independent accounting books and records will be considered taxpayers and subject to the VAT; however, since Silent Partnership agreements are not considered business collaboration agreements, they will not be subject to the VAT.



On April 2, 2021, Tax Court Resolution 02398-11-2021 was published, establishing the following mandatory criterion for silent partnership agreements:

Criterion Established in Tax Court Resolution

02398-11-2021

For the purposes of the Income Tax, the associate's participation qualifies as a dividend or other form of profit distribution.

Depending on the status of the associate, it shall be subject to the Income Tax as follows:

1. If the associate party is a legal entity domiciled in the country, such income is not subject to the Income Tax.
2. If the associate party is an individual or an entity other than a legal entity domiciled in the country, such income is subject to second-category Income Tax.



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3.3

Regulations Applicable to FinTech Companies

At the level of Latin America, the development of legislative initiatives and regulations focused on one or more FinTech verticals has changed. While some countries sought to regulate the FinTech sector in general, such as Mexico and Chile, others have opted for regulation focused on specific verticals (e.g. Colombia and Peru).

The Inter-American Development Bank has prepared a FinTech Regulation Map for Latin America and the Caribbean. It is available on its [website](#). 



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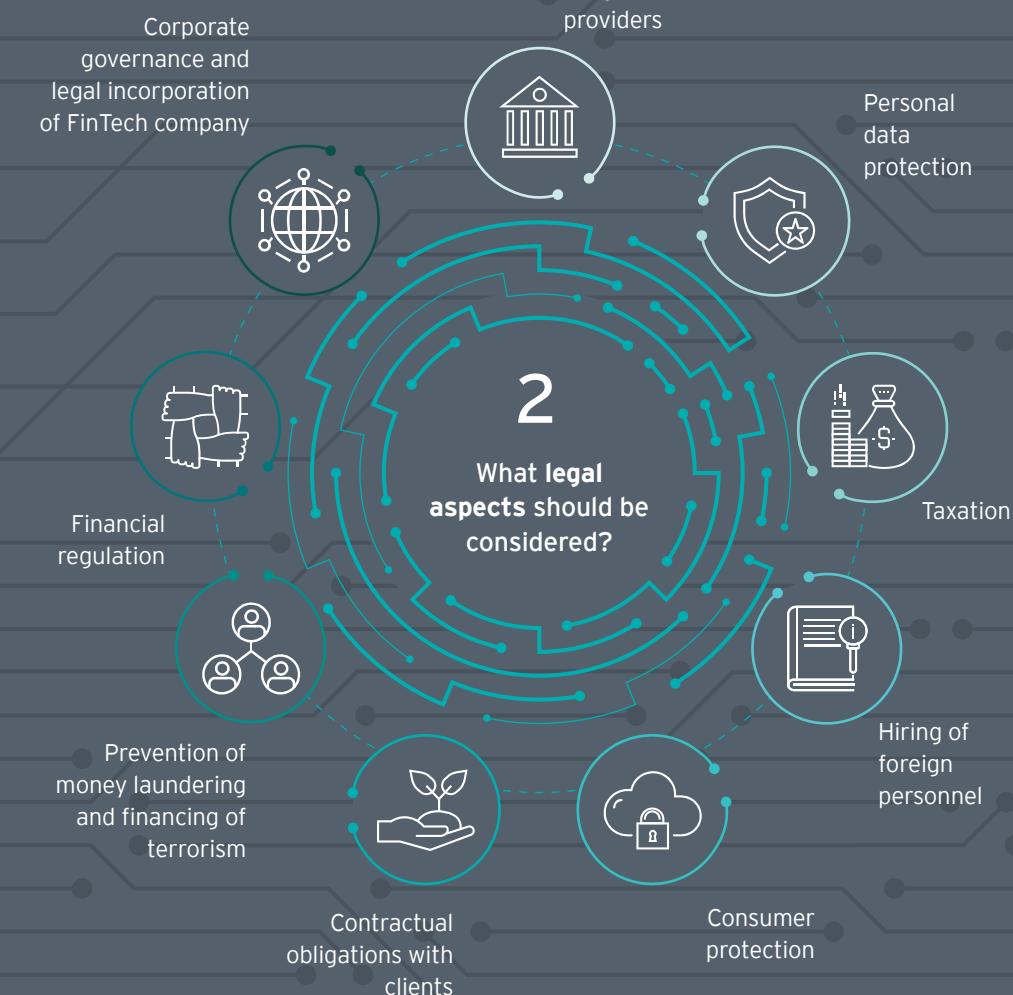
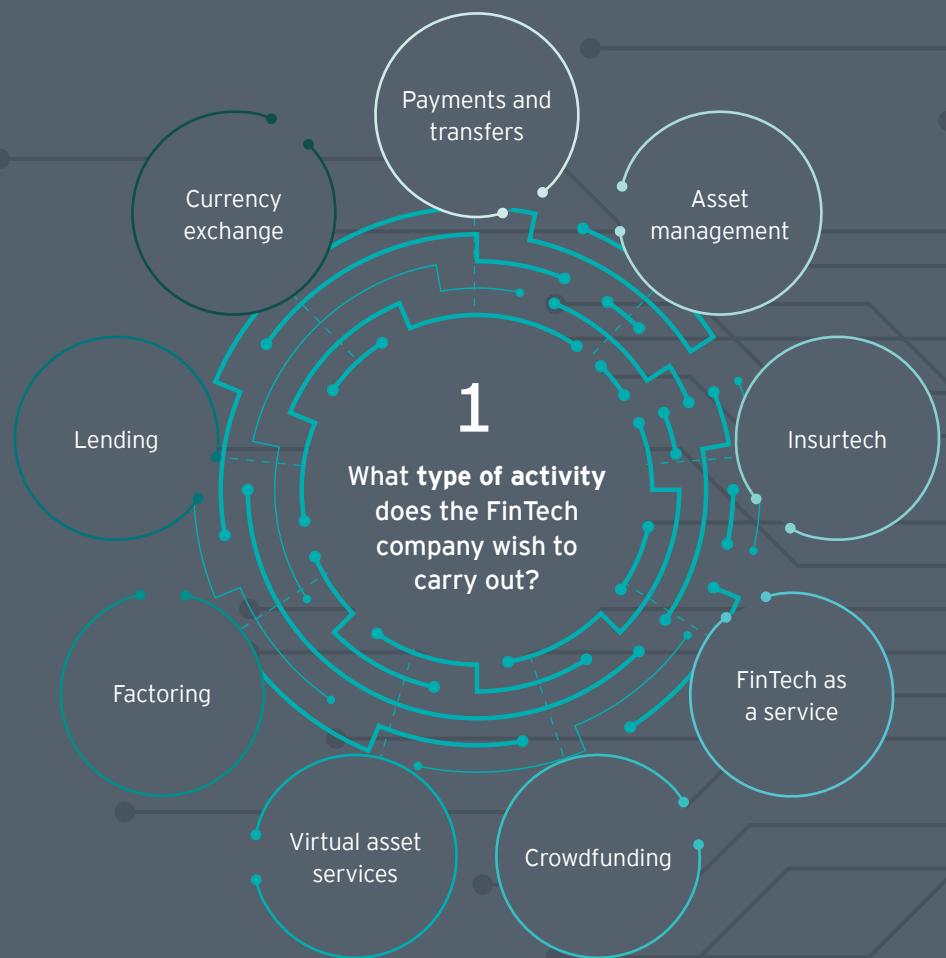
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Main Activities and Regulations to be Taken into Account

In Peru, the main authorities with powers to regulate various FinTech verticals are the Superintendency of Banking, Insurance, and Private Pension Fund Management Companies – AFPs (SBS), the Securities Market Superintendency (SMV) and the Central Reserve Bank of Peru (BCRP).

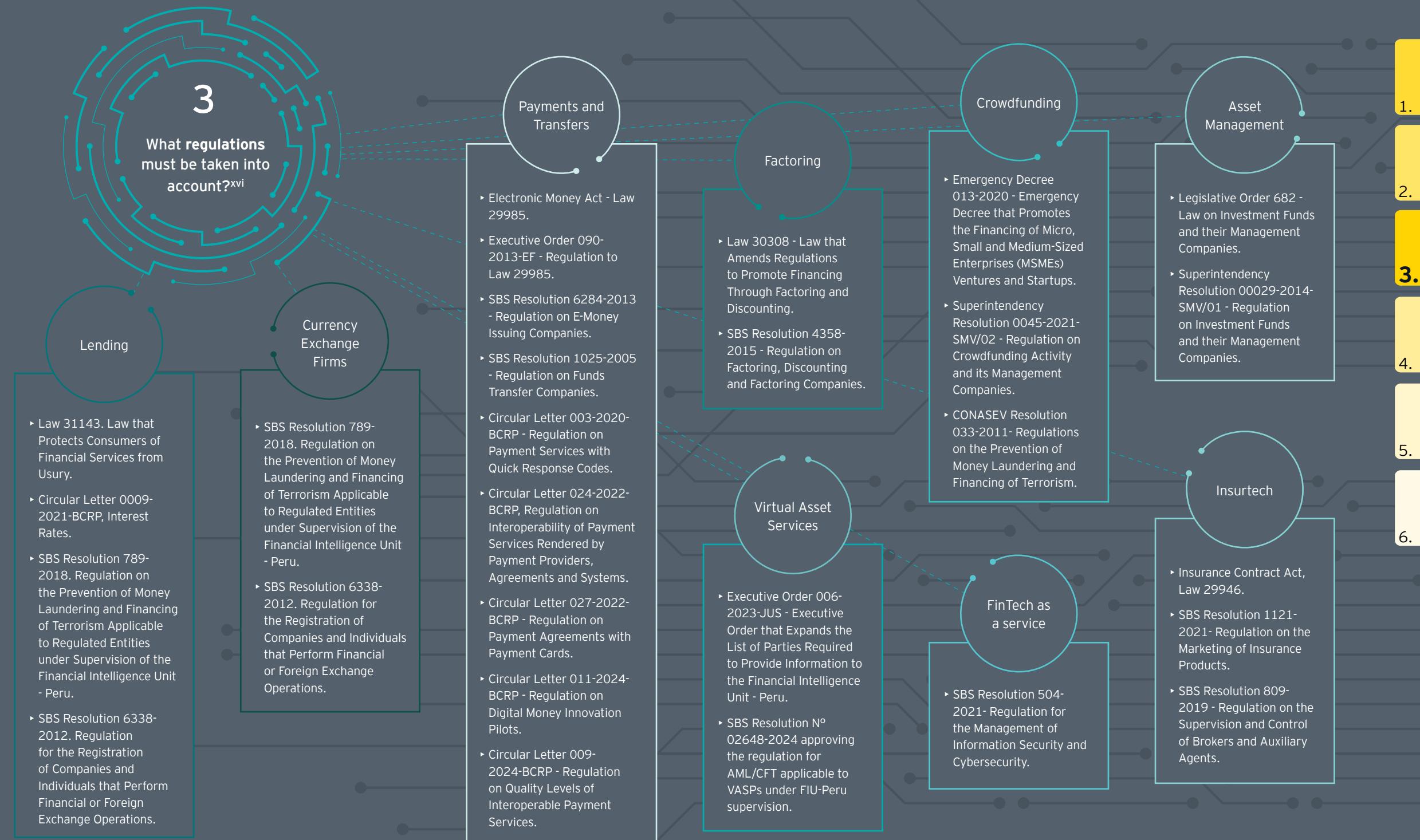


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3.4

Open banking and Open Finance

A. Definition of Open Banking

It is a policy of a financial nature that has been expanding to more markets; its market size is estimated to be USD20 billion in 2024 and is expected to reach USD40 billion by 2029^{xvii}. The purpose of this policy is for banks to exchange customer data, after obtaining client authorization, with third parties (FinTech developers and startups) to create faster, more competitive and simpler applications and services, as well as to generate greater financial transparency options. What makes Open Banking possible is API technology, as it allows participants to connect with each other in a secure and standardized way.



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For MasterCards^{xviii}, the multinational financial service company, any and all regulations and supporting infrastructure combined with promising market contexts and opportunities are not important without an authorization of the client. The best manner in which financial institutions may obtain permission is to build and then maintain client trust by implementing existing privacy and data protection controls as a comprehensive part of Open Banking.

Currently, there are other data exchange policies similar to Open Banking such as Open Finance and Open Data. Some of the services that can be considered within the Open Finance policy are lending, consumer credit, investments and pensions; and in the case of Open Data as a model of

information exchange both at the private and public level, it allows the information to be used, reused and redistributed freely, with the only condition of citing the source. Notwithstanding the above, we will henceforth use the term Open Banking to refer to either Open Banking or Open Finance.

The IDB Report "FinTech in Latin America and the Caribbean: A Consolidated Ecosystem with Potential to Contribute to Regional Financial Inclusion^{xix}", until the end of 2023, identified 60 Open Banking FinTechs in the region: 38% belong to the Open Data sub-segment; followed by Embedded Finance, with 28%; Infrastructure Providers, with 27%; Account Information Service Provider, with 5%; and Payment Initiation Services, with 2%.

Open Finance Segment and Subsegments

Open Finance	60	100%
Open Data	23	38%
Embedded Finance	17	28%
Infrastructure Providers	16	27%
Account Information Service Provider (AISP)	3	5%
Payment Initiation Service Providers (PISPs)	1	2%

Source: Inter-American Development Bank. FinTech in Latin America and the Caribbean: A Consolidated Ecosystem with Potential to Contribute to Regional Financial Inclusion. June 2024. Page 122.

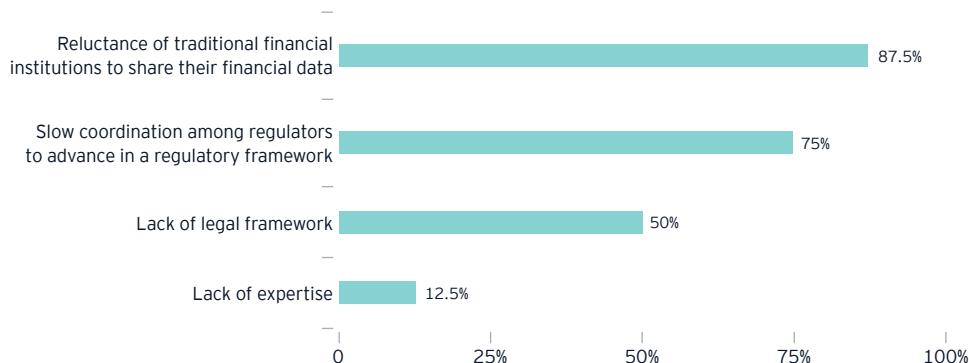
B. Challenges and Opportunities

Open Banking is currently generating a disruptive movement in the financial sector worldwide and in Latin America, offering several challenges and opportunities for consumers, financial institutions and FinTechs. By 2030, the global market is expected to grow exponentially, reaching a final value of USD7.2 trillion^{xx}.

The opportunities involve innovating financial services, improving the client experience, providing operational efficiency thanks to the collaboration between banks and FinTechs, thus contributing to financial inclusion, among other opportunities.

Challenges include regulatory bodies finding a balance to facilitate the exchange of financial services data without compromising the soundness and stability of the financial system as a whole. In other words, the regulatory body's goal should be to neutralize the externalities of Open Banking in the financial system.

Challenges to Open Finance perceived by FinTech associations



Source: Inter-American Development Bank. Open Finance in Latin America and the Caribbean: Great Opportunities, Great Challenges. June 2023. Page 50.

In the case of Peru, the BCRP has been working with the SBS and the World Bank on an agenda and roadmap for the progressive implementation of Open Banking in Peru. Likewise, the BCRP is evaluating legal and technical aspects related to the implementation of a retail payment platform with open API architecture to facilitate the initiation of payments and the incorporation of new participants. In order to conduct the evaluation, the legislative status of several countries that do have regulations related to payment initiation and Open Banking has been analyzed^{xxi}.

On the other hand, INDECOPI identified certain challenges that must be assumed for the correct and progressive implementation of Open Banking in Peru. Among the main risks is competition since there is a lack of protection for companies that use digital platforms to offer financial services, due to the fact that banking entities sometimes limit FinTech companies from opening or

closing accounts, alleging ML/FT risks and lack of transparency without presenting any reasonable support, which has hindered the normal development of their operations. INDECOPI has recommended to the SBS and the BCRP that within the scope of the work agenda for the progressive implementation of Open Banking, a framework of coordination and participation with the different public and private actors should be established in order to validate and reach consensus on establishing standards associated with the protection of personal data, information security, cybersecurity measures, the use of APIs for the exchange of information, and payment initiation services, among other elements needed for its proper implementation, which would benefit consumers.

The key to the success of Open Banking will be to find a balance between security, privacy, regulation and innovation.





FINTECH ECOSYSTEM IN PERU

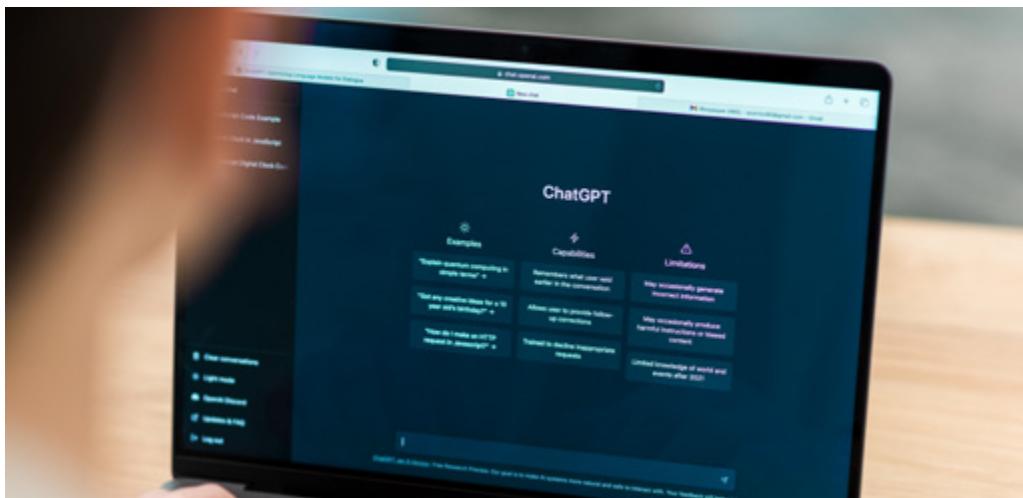
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Payment Solutions

The payments landscape in Peru has changed significantly in recent years, characterized mainly by the use of digital means to make retail payments. The Digital Payments Indicator (DPI) shows an 89% increase in the number of transactions between March 2023 and the same month in 2024^{xxii}.

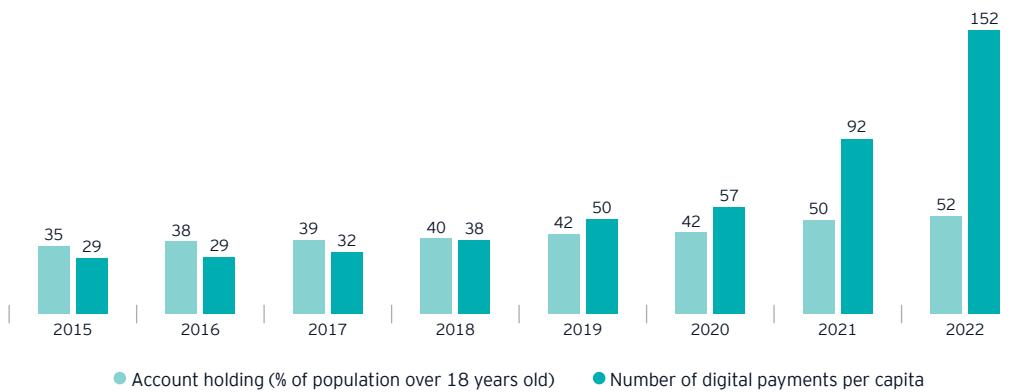
This growth is largely due to the interoperability between the main wallets, starting in March 2023, as indicated by the BCRP in the May 2024 Financial Stability Report.





However, although the use of digital payments has been growing rapidly, banking penetration has increased at a slower pace, as reported by the National Household Survey (ENAHO) and the BCRP.

Evolution of Bancarization and the Number of Digital Payments per Capita



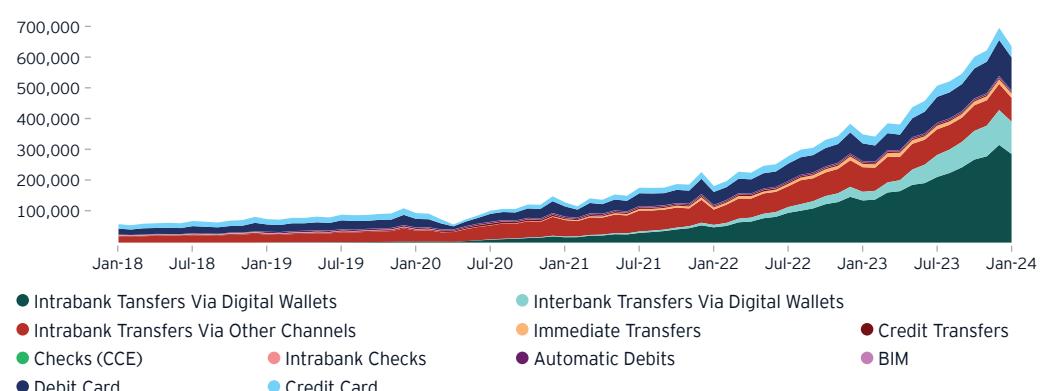
Source: National Institute of Statistics and Information (INEI), Central Reserve Bank of Peru (BCRP).

A. Payment Interoperability Strategy in Peru



- As of March 2024, the BCRP has indicated^{xxiii}:
 - Phase 1:** over 2.5 million transactions per day with digital wallets (+70 million per month).
 - Phase 2:** over 100,000 and 400,000 transactions per day (+3 and +12 million per month) respectively.
 - Phase 3:** in full expansion.
- According to the document published by the BCRP, there is an increase in the growth rate of digital payments, following a brief period of contraction after the pandemic. Moreover, there is a strong drive for the use of digital wallets, as shown in the following chart.

Evolution of the Number (in Thousands) of Monthly Transactions with Main Digital Payment Instruments in Peru (January 2018 - January 2024)



Source: BCRP. Implementation of the Retail Payments Interoperability Strategy in Peru. April 2024.

- Microfinance companies are more active in providing digital services to their users, as in the case of cooperatives, savings institutions, and finance companies.
- Transactions through YAPE and PLIN have reached 2.8 million transactions per day in March 2024, as reported by the BCRP.
- People are using their digital wallets to make very low-value payments, replacing the use of cash for their daily transactions.
- The BCRP has indicated that the growth of retail payments between 2022 and 2023 has been clear, as shown in the following table.

Retail Payments 2022-2023

	2022	2023	Var%	Share % (2022-2023)
Intrabank transfers	159	290	82%	57% - 58%
Interbank transfers (wallets)	19	65	245%	7% - 14%
CCE	13	16	28%	5% - 3%
Cards	81	113	38%	29% - 23%
Other (*)	5	6	22%	2% - 1%
Total	277	490	76%	-

(*) Includes e-money, Bim, automatic debits, etc.

Source: Office of the Deputy Manager of Retail Payments BCRP. Implementation of the Retail Payments Interoperability Strategy in Peru. April 2024.

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► **E-money:** Currently, e-money issuing companies (EEDEs, by its acronym in Spanish) may participate in the services of the CCE and the Real-Time Gross Settlement (RTGS) system. EEDEs are required to implement interoperability in their payment services.

Within the framework of the implementation of interoperability phases, the regulated entities of Phase 3 are making progress in their developments to provide interoperable payment services. In this regard, the BCRP has published the following advances:

“Pagos Digitales Peruanos” (PDP) Payments Agreement (BIM Wallet): +1 million users

- Connected to Yape and Plin (October 2023).
- Connection to the Electronic Clearing House (CEE, by its acronym in Spanish) (March 2024) via Sponsor Model. This model involves a participating entity of the CEE, providing access indirectly.

The EEDE G-Money:

+700,000 users

- Connected to the RTGS System (February 2024).
- Connection to the CCE (in progress).

The EEDE “Tarjetas Peruanas Prepago” (TPP): + 250,000 users

- Connected to the RTGS System (March - April 2024).
- Connection to the CCE (in progress).

► **Activities carried out by the BCRP**

As part of the retail payment interoperability strategy, the regulatory body is developing dissemination activities, working groups, bilateral meetings, and payment committees, among others, with private actors that are part of the ecosystem, in the performance of its role and to encourage public and private commitment to the implementation of interoperability. The following activities were carried out between June 2022 and March 2024:

+50
meetings of the Payment Committee.

+180
180 meetings with regulated entities (Phases 1, 2 and 3). Among them, financial entities, payment rails, processors, brands, acquirers, FinTechs, technology providers, telecommunication companies and public entities.

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regulated entities were reprimanded (communications were sent to relevant senior management).

0
entities with punitive processes.

B. Next Steps for the Regulatory Body:

1. Interoperability Phase 4:

As part of its interoperability strategy for retail payments, the BCRP has revealed that new players are expected to join the retail payments ecosystem, such as telecommunications and FinTech companies under the "sponsorship" and BaaS (Bank as a Service) model that could be implemented with Alfín Banco, which recently signed an agreement with the Peruvian FinTech Association.

2. Regulation on Digital Money Innovation Pilots:

In April 2024, the BCRP published said regulation to promote the access and use of digital payments by the population in areas with low banking penetration and limited internet connection. Appendix B.

3. UPI:

In June 2024, with the collaboration of the Reserve Bank of India (RBI) the BCRP signed an agreement with the National Payments Corporation of India - NPCI International Payments Limited (NIPL) to implement a retail payments platform in Peru, similar to the Unified Payments Interface (UPI) platform currently operating in India. According to the regulatory body^{xxiv}, the objective of this alliance is to:

- Establish a real-time, reliable and efficient payment platform that facilitates instant payments and reliance on cash transactions.
- Promote financial inclusion with a collaborative UPI open banking approach, under enhanced connectivity and interoperability with national and international payment networks.
- Supplement existing payment infrastructures and encourage the entry of new participants in the Peruvian ecosystem.



4. Quality of Interoperable Payment Services:

- ▶ The BCRP considers that there are still aspects to be optimized at the level of quality of services of interoperable transactions. In such context, in March 2024, the BCRP published the Regulation on Quality Levels of Interoperable Payment Services rendered by Providers, Agreements, Payment Systems and Technology Providers.
- ▶ To date, this regulation establishes obligations for the implementation of Key Performance Indicators (KPIs) Service Level Agreements (SLAs) and incident and data transfer protocols.
- ▶ Likewise, four (4) periods of gradual adaptation and continuous improvement have been established with the purpose of progressively raising the quality of service within the interoperable payment ecosystem. Further details of these regulations can be found in Appendix C of this Guide.

5. User Experience (UX):

In accordance with the UX guidelines in the interoperability regulation, the BCRP is developing working groups with regulatory bodies and testing prototypes of interoperable transactions with said approach.

However, the BCRP considers that there are pending improvements in UX that should be made in the short and medium term, so it is considering issuing new guidelines that include, among others:

- ▶ The single flow of selection of the destination regulated entity.
- ▶ Successful transfer notices.
- ▶ Truthful and timely error messages.
- ▶ Visible access to the help center.
- ▶ Standardization of QR codes.



4.2

Foreign Exchange

A. Digital Foreign Exchange Platforms

Digital foreign exchange platforms represent one of the most successful FinTech innovations in Peru, with a steady growth in recent years. However, this year the number of digital currency exchange platforms have decreased by 7%, from 29 in 2023 to 27 FinTech companies in 2024.

The growth is largely due to the digital infrastructure of the Peruvian financial system, since almost all banking and financial institutions have internet banking or mobile banking, which facilitates the transfer of funds between the user and the digital exchange house for the purchase and sale of foreign currency. In addition, this vertical has competitive prices and lower exchange spreads compared to other companies in the financial system.



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Digital currency exchange platforms offer a number of benefits over traditional retail options. Some of these advantages are:

- 1.** Exchange currency from anywhere with an internet connection.

- 2.** Swiftness and good user experience.

- 3.** Competitive prices.

- 4.** Safer, as there is no need to carry cash.

- 5.** Access to promotions and preferential exchange rates, based on the conditions of the platform.

B. Foreign Exchange and Financial Inclusion

One of the characteristics of foreign exchange platforms is that in order to operate, registered users are required to have bank accounts to be able to send and receive funds; this requirement to use bank accounts has led to an increase in the level of banking penetration, which has contributed to financial inclusion in the country. This is an indirect effect of the emergence of digital currency exchange platforms.

C. Foreign Exchange and Regulation

Exchange houses and/or individuals engaged in the purchase and sale of foreign currency as a regular or business activity must register with the SBS Registry of companies and individuals that carry out currency exchange operations. The registration is valid for seven (7) years, as from the date of the SBS resolution authorizing the registration; currently there are over 1 500 exchange houses registered, both on-site and online. Registration is also mandatory for companies that offer foreign exchange services through a digital platform.

4.3

Factoring

Operation whereby the factoring company acquires, for valuable consideration, from a party (client) instruments with credit content, such as commercial invoices, negotiable invoices, trade acceptances and any and all securities representing debt, in exchange for a consideration. In some cases, additional services may also be provided, such as commercial research and information services, management and collection, accounting services, market research, comprehensive advisory services and other similar services. This financing alternative is characterized as an operation in which the factor (factoring companies) assumes the debtor's risk, except in the case of improper factoring or recourse factoring.





In particular, this tool serves as a great support for companies, allowing them to obtain liquidity for their working capital. Thus, during 2023, financing with negotiable invoices reached PEN38,000,000. According to CAVALI General Manager, during the first quarter of this year, the volume of factoring operations amounted to PEN9,809,000, 18% more than in the same period in 2023^{xxv}.

In line with the above, it is necessary to consider that at the end of the first quarter of 2024 the factoring market would have managed to generate a cumulative amount of PEN139,461,000 since 2016, according to figures from PRODUCE and CAVALI^{xxvi}. As indicated by CAVALI, in 2023 the volume registered in negotiable invoices amounted to PEN38.0 billions, which represents 3.8% of the GDP during 2023^{xxvii}, thus showing the strength and dynamism of the negotiable invoice market in the country.

Fact

Of the 119 financial institutions that provide factoring services and are registered and operating in CAVALI, 69% are factoring companies; 18% are brokerage firms, investment fund managing companies and issuers; while the remaining 13% are entities of the financial system.

4.4

Lending

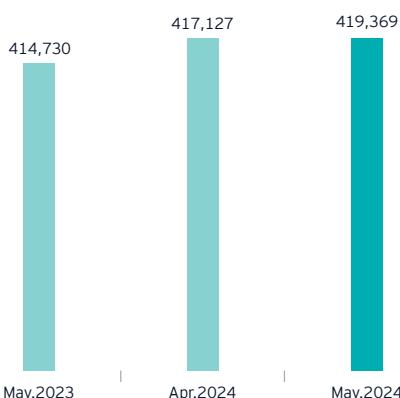
Within the FinTech industry in Peru, the financing vertical is one of the largest. This vertical is characterized by the use of digital platforms and other digital technologies for one or more stages of the lending process.

A. Current Lending Outlook in Peru

The BCRP reported that loans to the private sector registered a year-on-year growth of 1.1% and a monthly increase of 0.5%. In addition, it is noted that, with respect to lending by type of currency, loans in PEN grew 1.5% in May 2024 compared to May of the previous year, while, in the case of loans in dollars, their rate remained stable.



Total Credit to the Private Sector (Million PEN)



	Var.%
May.2024 / May.2023	1.1
May.2024 / Apr.2024	0.5

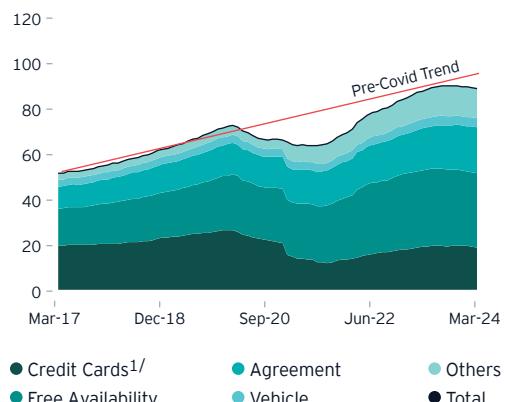
Source: BCRP. Weekly Note. No. 23 - June 27, 2024

In the case of loans to individuals, a year-on-year growth rate of 3.5% was maintained in May 2024, as a result of the growth of loans in soles.

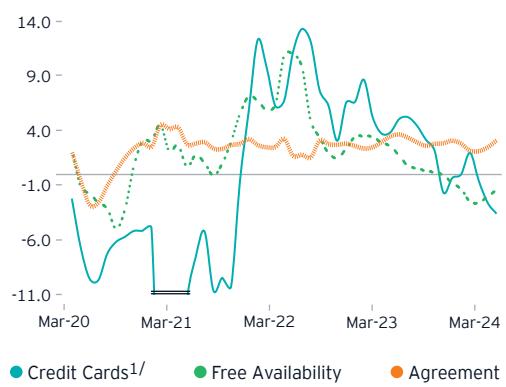
In addition, the year-on-year percentage variation rate of loans to companies decreased by 0.4% in May 2024. However, excluding the effects of the Reactiva Peru Program, there was a 3% increase compared to May last year.

Nonetheless, according to the Financial Stability Report, the BCRP indicates that, as of May 2024, there is a slowdown in consumer credit, specifically in the case of credit cards and unrestricted loans.

Loan Portfolio by Type of Product (Billions of PEN)



Quarterly Variation of Main Products (%)



1/ By SBS Resolution No. 5570-2019 that amends Credit and Debit Card Regulations, it was ordered that additional non-revolving financing for credit card holders ("parallel lines") be recorded independently and separately from the original credit card line. This provision entered into force in January 2021; therefore, a high contraction is recorded in such month.

Source: BCRP. Financial Stability Report. May 2024

4.5

Finance Management

Finance management FinTechs are financial technology companies that offer digital solutions for money management and personal or business finance. Within the types of finance management are enterprise finance management FinTechs focused on providing financial management and advisory services to companies; and personal finance management FinTechs focused on providing personal finance optimization services. These solutions may include mobile applications, online platforms and tools that help users track their income, expenses, investments, savings and other financial activities.



A. Types of Finance Management

1. Enterprise Finance Management

It is characterized by providing technological solutions focused on electronic invoicing, digital accounting, financial management, business intelligence and collections, which are part of the basic needs of a company. The IDB Report "FinTech in Latin America and the Caribbean: A Consolidated Ecosystem with the Potential to Contribute to Regional Financial Inclusion^{xxviii}", hereinafter the Report, indicates that the 413 FinTechs identified in the region at the end of 2023 are distributed in the most popular subcategories such as Financial Management and Business Intelligence (48%); Digital Accounting (21%); Electronic Invoicing (16%); and Collections (15%).



Corporate Finance segment, and subsegments

Corporate Finance Management	413	100%
Financial Management and Business Intelligence	199	48%
Digital Accounting	88	21%
Electronic Invoicing	66	16%
Collection	60	15%

Source: Inter-American Development Bank. Fintech in Latin America and the Caribbean: A Consolidated Ecosystem with the Potential to Contribute to Regional Financial Inclusion. June 2024. Page 31.

Its 344% growth since 2017^{xxix}, is a reflection of the fundamental and sustained importance of financial management tools in the business environment.

2. Personal Finance Management

This segment grew 163% in number of ventures between 2017 and 2023^{xxx}. There are currently 208 FinTechs, indicating a growing interest in acquiring knowledge and comparing options in order to make sound financial decisions. This segment is characterized by helping, through platforms, to manage people's money and provides its users with greater financial control. According to the Report, the most popular subcategories in this segment include: Personal Finance Management (40%); Financial Education (16%); Loyalty and Rewards (14%); Salary on Demand (12%); Comparison Platforms (11%) and Debt Management (7%).



Personal Finance Management segment, and subsegments

Personal Finance Management	208	100%
Personal Finance Management	83	40%
Financial Education	33	16%
Loyalty and Rewards	29	14%
Salary on Demand	25	12%
Comparison Platforms	23	11%
Debt Management	15	7%

Source: Inter-American Development Bank (IDB). Fintech in Latin America and the Caribbean: A Consolidated Ecosystem with the Potential to Contribute to Regional Financial Inclusion. June 2024. Page 36.

4.6

Crowdfunding

A. General Data

Crowdfunding (*Financiamiento Participativo Financiero - FPF*) is a financing and investment method, whereby, through a digital platform, a deficit agent - the recipient - who wants to carry out a certain project - and investors seeking to obtain a financial return, are connected. These platforms are managed by corporations supervised and regulated by the SMV.

In this regard, from April 2022 to August 2023, more than 230 projects, both personal and professional, have been financed through crowdfunding. This has resulted in an investment of PEN18.3 million^{xxx}.



B. Financial and Operational Progress of Authorized Crowdfunding Platforms

1. Afluenta Peru

During 2022, it reached PEN27,658,676 in loans, with more than 4,342 loans originated through its platform^{xxxii}. During 2023, it reached PEN27,847,615 in loans, with more than 4,388 loans originated through its platform^{xxxiii}.

2. Inversiones.lo Peru

It claims to have exceeded 250 projects by the end of 2023, with approximately more than PEN35 million^{xxxiv} in loans.

3. Crowd PFP Project

As of April 1, 2024, it has indicated that no commercial operations have started yet; however, it is evaluating potential clients for participation in crowdfunding operations, and assures that this year, 2024, will be the year of its official launch^{xxxv}.

4. Bloom Crowdfunding

Since September 2023, when it was authorized to operate as a Crowdfunding Management Company, it has started to secure providers and sign the necessary agreements for operations. However, there have been delays in starting operations in Peru due to legal contingencies^{xxxvi}.

C. Minimum Capital Stock

Pursuant to Article 22 of the Regulation on Crowdfunding Activity, approved by Superintendent's Resolution 045-2021-SMV/02, Crowdfunding Platform Management Companies must maintain at all times a minimum capital stock in an amount equal to or greater than PEN300,000, which shall be updated annually based on the National Wholesale Price Index published periodically by the National Institute of Statistics and Information (INEI). Therefore, the SMV has indicated that the minimum capital stock for 2024 amounts to PEN357,053.60^{xxxvii}.



4.7

Virtual Asset Services

More than 14 years have passed since the first commercial transaction with Bitcoin, two pizzas for 10,000 Bitcoins, was performed. Years later, it was followed by the launch of Ethereum which sought to create a decentralized ecosystem based on blockchain technology. Since then, the advance of innovations and use cases related to cryptoassets and blockchain technology has increased at a fast pace, standing out mainly for its plurality, but without losing its essence: decentralization.

Currently, there are several use cases of blockchain technology and cryptoassets, now being used in different sectors, such as the financial, health, entertainment, and real estate sectors, among many others.



A. Payments and Transfers

One of the innovations of recent years has been the emergence of stablecoins. The fundamental difference between stablecoins and traditional crypto-assets such as Bitcoin lies in the fact that the value of these coins maintains parity with assets such as the dollar or gold. According to CoinGecko, the top five (5) stablecoins by market capitalization are:

Top 5 Stable Coins (as of June 27, 2024)

No.	Currency	Capitalization (USD billion)
1	Tether (USDT)	112.6
2	USDC	32.7
3	Dai	5.2
4	Ethena USDe (USDE)	3.6
5	First Digital USD (FDUSD)	2.2

Source: Prepared by EY, with Data from CoinGecko. Stable Currencies by Market Capitalization. Website. 2024.

B. Banking and Crypto-assets

While a few years ago, large banks were wary of the impact of virtual assets, today that has changed, and banks around the world are embracing crypto-assets in one way or another, either through partnerships with companies to provide crypto-asset services such as custody or exchange, or by providing these services directly.

C. DeFi

Decentralized Finance (DeFi) is one of the latest trends in the cryptocurrency ecosystem. DeFi is a group of decentralized applications focused on providing services accessible to any user from anywhere in the world.

Through DeFi different platforms built on blockchains now offer real financial products similar to those offered by traditional banks.



Following are the most outstanding categories and use cases in the DeFi ecosystem:

- ▶ Stablecoins
- ▶ Loans and Borrowings
- ▶ Payments and Transfers
- ▶ Derivatives
- ▶ Fund Management
- ▶ Lottery
- ▶ Insurance
- ▶ Governance

USD175 billion

According to DappRadar, as of 2024 Q1, DeFi showed signs of growth, increasing in 70% vs. 2023 Q4 and reaching a total value locked (TVL) of USD175 billion.



D. NFT (Non-Fungible Token)

NFTs are tokens that are registered on blockchain that certify the ownership of virtual assets, such as a digital piece of art, and can be verified by anyone. Unlike traditional cryptocurrencies, an NFT represents an asset with unique properties. In other words, while there may be many copies of this digital asset or good, the owners of the NFT, through its registration on blockchain, are the only ones who can prove it belongs to them or that they are the original owners.

The following are some of the most outstanding uses of NFTs:

- ▶ Collectibles
- ▶ Video games
- ▶ Art and music
- ▶ Metaverse
- ▶ Utility

It should be noted that NFTs can represent not only digital or intangible assets, but also physical assets. There are numerous projects around the world focused on the tokenization of real estate or other assets.

E. DAO

DAO is the acronym for Decentralized Autonomous Organizations. DAO is a form of organization that is self-managed by its members (token holders) and whose actions are executed through programs (smart contracts). It differs from organizations in that there is no barrier to entry - anyone could acquire DAO tokens and contribute to decision-making - and all data is publicly hosted on blockchain.

The most popular types of DAO include the following^{xxxviii}:

- ▶ Investment, protocol, service, philanthropic or donation.



F. Crypto-asset Regulation in the World

Around the World, there have been various initiatives to regulate the issuing and performance of transactions with crypto assets. One of the most important of these is the Markets in Crypto-Assets (MiCA) Regulation, applicable to the countries of the European Union, which proposes the regulation of different services related to crypto-assets, as well as the categorization of different types of tokens.

This regulation will enter into force on December 30, 2024, with the exception of Title III, referring to assets, and Title IV, referring to e-money tokens, which entered into force on June 30, 2024. The regulation seeks to harmonize the requirements for crypto-asset issuers and service providers to operate in the European Union. It also seeks to provide security to the crypto-assets market and establish mechanisms for the exercise of consumer rights.

G. Regulation in Peru

In Peru, since December 2021, the Peruvian Congress has been developing Draft Bill 1042-2021-CR, the Draft Framework Bill for the Marketing of Crypto-assets (DB 1042). This Law establishes the guidelines to be followed by companies that provide crypto-assets exchange services through virtual platforms.

While Draft Bill 1042 has not had favorable opinions from the most important financial regulatory bodies in the country, such as the SBS, BCRP, Ministry of Economy and Finance (MEF) or the SMV, in September 2023, having received a favorable opinion, it was included in the agenda.

Regarding the prevention of money laundering and financing of terrorism (AML/CFT) Executive Order 006-2023-JUS was published in 2023, which incorporates individuals and companies engaged in

certain activities with virtual assets to the list of parties required to report suspicious transactions to the FIU, qualifying them as Virtual Asset Service Providers (VASPs).

Subsequently, in August 1, 2024, Resolution SBS No. 02648-2024 (The Resolution) was published in the Official Journal El Peruano, which approves the regulation for AML/CFT applicable to VASPs under the supervision of the FIU.

The Resolution establishes general guidelines, obligations and procedures regarding AML/CFT that the VASPs must implement in their capacity as entities obliged to report to the FIU.

By virtue of such provisions, nowadays companies engaged in providing services with crypto-assets or cryptocurrencies in Peru are required to report suspicious transactions to the FIU and to implement a system for the AML/CFT.



H. Central Bank Digital Currency (CBDC)

Various governments around the world are initiating the debate on CBDCs, driven by the need to remain active in innovations in payment methods and retain control of the monetary system. Unlike cryptocurrencies that are born as a decentralized system, CBDCs are simply a digital version of money regulated by each country's monetary authority.

In March 2023, the BCRP issued its first report on the progress of CBDC in phase 1, called "CBDC: Promoting Digital Payments in Peru". It states that it aims to promote the financial inclusion, efficiency and security of the national payment system.

On April 17, 2024, Circular Letter 0011-2024-BCRP was published in the Official Gazette El Peruano, whereby the BCRP approved the Regulation on Digital Money Innovation Pilots. This regulation establishes, among other aspects, the requirements to operate, operating protocols and operational issues.

On July 15, through Resolution No. 0009-2024-BCRP, the company Viettel Perú S.A.C. was selected as a participant in the First Digital Money Pilot.



4.8

InsurTech

The term InsurTech is used to refer to and explain the use of new technologies with the potential to innovate within the insurance sector, and their influence on the regulatory practices of insurance markets. InsurTech seeks to apply technology in the insurance ecosystem, insurance company processes, and related activities, with the purpose of providing new solutions required by policyholders. These activities include, for example, the automation of records, automated sale of insurance policies or risk analysis.

InsurTech activity is here to stay. Proof of this is that in recent years, InsurTech financing has been increasing globally, raising a total of USD15.8 billion by 2021.



Notwithstanding the foregoing, according to Gallagher Re's Global InsurTech Report^{xxxix}, funding to InsurTech companies drop to USD912.3 million in the first quarter of 2024, the lowest point since the same period in 2021. This drop is mainly explained by the absence of financings above USD100 million for the first time since the third quarter of 2017. According to Ed Halsey, vice president of marketing at Genasys Inc, this decline represents the maturity of the sector in which participants will need to show clear paths to profitability, robust business models and fewer inflated valuations.^{xl}

A. Types of InsurTech Activities

According to the Mexican InsurTech Association, the activities in which InsurTech companies engage to provide efficiency in the value chain of the insurance ecosystem can be classified as follows:

► Comparison activities:

Their purpose is to provide platforms where users can simultaneously compare the costs and coverage of multiple insurance companies, based on different products. This initiative is used for vehicle insurance, health insurance and business insurance.

► Digital sales:

These are focused on making the procurement process available online, from the offer of the product to its purchase.

The advantages offered by this type of InsurTech are shown in the increase in customer satisfaction, by allowing taking out insurance in a simple, fast and transparent manner.

► Loss prevention and management:

The purpose lies in loss management by applying technology to different processes, such as streamlining the process in the event of a loss by using digital tools.

► Other processes in the insurance sector:

Other InsurTech activities are aimed at using technology in other parts of the insurance value chain, such as for fraud detection, using Artificial Intelligence, drones or other tools for site inspection and other information to enable data collection and better risk assessment. Another aspect in which InsurTech companies are involved is the administration of individual insurance policies for small and medium-sized businesses, as well as corporate insurance policies through platforms with interactive and user-friendly interfaces.

► Development of new products and business models:

Their objective is to introduce new risk schemes or new business models for insurance companies, providing support in making a simpler and more optimal analysis of conditions; for example, by using different technologies to identify risks other than those to which people and businesses are normally exposed.

Along with emerging technologies, other insurance business models are also emerging in the ecosystem:

1. Peer-to-Peer (P2P) Insurance:

This is a business model in which policyholders can pool their capital, self-organize, and self-manage their own insurance, which works by creating groups of people with the same insurance. This results in advantages such as a lower fraud level as incentives are aligned or the possibility of recovering part of the premium paid. This model can be enhanced with the use of technologies, such as DLT (Distributed Ledger Technology) which allows the model to be implemented on a larger scale.



2. Usage-based Insurance:

This business model was introduced by auto insurance companies and consists of analyzing driving behavior and the actual distance driven to apply auto insurance rates.

3. On-demand Insurance:

This business model specializes on covering only the risks that users face at any given time, using technological tools such as digital tracking and location services. For instance, accident insurance that only becomes effective while traveling on public transportation.

- ▶ A survey conducted by EY Australia has revealed that 80% of insurance companies currently collaborate with an InsurTech, mostly to obtain specific solutions within the business.
- ▶ Furthermore, according to the CB Insights portal, InsurTech companies worldwide raised a total of USD15.4 billion in funding by 2021, which is almost double the levels seen in 2020.

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B. Technologies Used

Phones and Applications (Apps)	Thanks to mobile networks, cellphones, and internet access, it is possible to send short messages, use applications, and make large data transfers, which is relevant for insurance to reach emerging markets where there is no established distribution network.
Artificial Intelligence (AI) y Machine Learning (ML)	These technologies allow various processes in the insurance sector to use data in real time and make a prediction of events possible (e.g., vehicle thefts, health problems, and weather events). Other features include achieving better risk pricing, fraud prevention, loss management and settlement, or advice for prevention purposes.
Algorithms and Robo-advice	Robo-advice or automated advice is used in the insurance sector for investment management, comparisons, and quotes. According to the Organization for Economic Cooperation and Development (OECD) this type of advice could benefit populations that do not have access to human advisors; however, the structure and use of these technologies must be appropriate so that it does not lead to negative results in advice that may go unnoticed.



Smart Contracts	<p>Smart contracts are computer codes that contain the conditions of the contract and are automatically executed on the blockchain once the fulfillment of the agreed conditions is verified, without the need for a central entity or intermediary.</p> <p>The main limitation of these contracts occurs when the condition for their execution must be verified in reality, since the program does not know the events that occur outside the blockchain; this can be solved through the use of "Oracles", which would be bridges between the blockchain and reality, providing updated information for the correct development of the smart contract. It is essential that the oracle is a reliable entity designated by the parties to the contract.</p>
Big Data and Data Analytics	<p>Big Data refers to the storage of a large volume of data from different sources and at great speed. Data Analytics refers to the process of cleaning, inspecting, and modeling data to discover useful information, and suggest and support decision-making.</p> <p>In the insurance ecosystem, both tools are used in various processes, such as product offerings, risk selection, pricing, cross-selling, loss prediction and fraud detection, customized product offering, and automated underwriting.</p>

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4.9

Fintech as a Service

A. Banking as a Service

BaaS is a technological solution and model that allows authorized banks to incorporate their digital banking services directly into the products of non-banking companies through APIs, allowing them to access banking services such as account management, payments and lending, among others. The bank does not develop the product or distribute it, but offers its capabilities to another company to exploit them.

In this regard, the value of the banking market as a service is estimated to be around USD5.3 billion in 2024, and is expected to reach USD14.7 billion by 2029. The factors driving the growth of this sector are the increasing demand for financial services, rapid digitization and availability of APIs, as well as the growing popularity of online banking^{xli}.



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B. Fintech as a Service:

As a result of the growth of BaaS, the FaaS business model emerged, which fulfills the role of providing financial technology to other companies; in other words, it is a technology company and not an authorized bank. FaaS is based on clouds, APIs and Software Solutions as a Service.

By 2022, FaaS was a market valued at USD260.7 billion, and is expected to grow at a compound annual growth rate of 14% between 2023 and 2032^{xlii}.

At the close of 2023, the Technology for Financial Institutions segment has demonstrated the highest relative growth, increasing by 484% between 2017 and 2023, as it started 2017 with a 9% share and scaled to 12% in 2023. This is evidence of an integration of innovative digital solutions in the traditional financial sector^{xliii}.

C. News in Peru

Some cases have been announced in the country in the development of platforms with technological solutions for FinTech, as is the case with Alfintech, "The FinTech Bank." Alfintech is positioned as a hub for innovation and creation of financial products and services with FinTech, launched by Banco Alfin in August 2023 with the purpose of empowering FinTech in the Peruvian market and promoting financial inclusion^{xliv}.

Alfintech is a platform that gives FinTechs the possibility to create, design, build and offer their own products or financial services in a fully customized way through API technologies, whereby it provides and connects the infrastructure and banking technology with applications, platforms or digital channels of its clients^{xlv}.

In this regard, in May 2024, the Max savings account was launched, which is a savings account backed by Banco Alfin that allows to make money profitable and perform interbank transfers from the Máximo FinTech App^{xlii}.

4.10

Wealth Management

Wealth Management is a financial service that encompasses all the procedures necessary to carry out the conception, development, control and conservation of a family or individual legacy. This requires high quality financial, tax, legal and investment planning.



1. The Impact of FinTech on Wealth Management

Currently, the impact of FinTechs on the asset and wealth management sector is significant, as they have introduced innovative solutions that are enabling the following benefits.

A. Accessibility and Automation

FinTech companies have revolutionized accessibility to wealth management services that were historically reserved for wealthy groups. Through the use of digital platforms and mobile apps, these technological innovations have extended financial planning and investment services to a wider audience. Instead of relying on traditional financial advisors, which are often costly, it is now possible for investors to access financial tools and resources through mobile apps and online platforms.

B. Reduced Cost

One of the most tangible benefits is the reduction in the cost of services. Automation eliminates the need for intermediaries, resulting in lower administration fees.

C. Self-Investing

The possibility of self-management of investments or self-investing has expanded considerably thanks to the various tools and platforms that are now available to the retail investor. This phenomenon has simplified the investment process to the point where, with basic knowledge, any individual can use these resources independently or collectively to manage their capital at their own discretion.

D. Digital Expertise

Issues such as finding a suitable financial advisor can be a long and tedious process that often involves extensive searching and introductory consultations. In this context, FinTechs have revolutionized the experience by developing wealth management apps that can completely dispense with human advisors. Opening an account on these platforms typically takes less than five minutes, and users can start investing almost immediately after familiarizing themselves with the interface. In addition, these applications often include a large amount of educational and informative content to keep users informed.

Thus, the so-called "WealthTechs" have disrupted the traditional wealth management sector by providing investors with low-cost, efficient, automated solutions, among other criteria. This makes it possible for retail investors to access the same level of investment advice and high-value portfolio management^{xlvi}.

2. Legal Implications in Peru

Technology has democratized wealth management services. Wealth management platforms for the small investor, such as Hapi, Tyba, and international brokers such as eToro, allow individual investors to invest their capital. These technological tools have diversified and accelerated services that were previously exclusive, opening up opportunities for a wider audience in Peru. While no specific regulations for such services have been approved in Peru at present, the management companies of such investment platforms must take into account the main regulations applicable to the Peruvian securities market, such as the Securities Exchange Act (Ley del Mercado de Valores) Legislative Order 861, Regulation on Brokerage Agents (Reglamento de Agentes Intermediarios de Intermediación) SMV Resolution 034-2015- SMV-01 (hereinafter, the "RAI") Regulation on Crowdfunding and its Management Companies (Reglamento de la Actividad de Financiamiento Participativo Financiero y sus Sociedades Administradoras) SMV Resolution 045-2021-SMV-02, and the Regulation on Investment Funds and their Management Companies (Reglamento de Fondos de Inversión y sus Sociedades Administradoras) SMV Resolution 029-2014-SMV-01. These regulations establish a regulatory framework that regulates the operation of intermediaries in Peruvian territory, including matters with respect to the intermediation of financial instruments issued and traded abroad.

3. Final Conclusions

Wealth management is a multifaceted field that has undergone significant change with the advent of FinTech. These new technologies offer opportunities for democratization and efficiency in asset management, but also pose regulatory and legal challenges that must be carefully addressed, especially in emerging markets such as Peru. The ongoing evolution of technology and regulation in this area requires constant monitoring and adaptation by all stakeholders to ensure that opportunities are maximized, while risks and challenges are effectively mitigated.





FINTECH IN LATAM

5.1

Chile

FinTech Ecosystem in Chile

The FinTech sector in Chile continues to develop and deepen in the country and the region. In addition to individual growth and outstanding operations, today the sector is framed by two important issues entering local regulation, from the formalization and supervision of FinTechs themselves by the Financial Market Commission to the implementation of an open finance system expected to operate in the coming years.

A descriptive overview of the sector can be obtained from the following data:

By the end of 2023, the Fintech ecosystem in Chile comprised 378 companies, of which 300 were local (incorporated in Chile or with a Chilean founding team) and 78 were international entities^{xlviii}.



The FinTech sector in Chile has different segments, where the most important ones correspond to payments, corporate financial management and loans, which account for 21%, 17% and 14% of the national FinTechs, respectively^{xlii}.

Foreign FinTechs in Chile come mainly from Colombia, Mexico, Argentina and the USA. Almost 28% of FinTechs in Chile report annual revenues between USD0 and 100,000, followed by revenues between USD1 million and 4 million per year, which accounts for 22% of the FinTechs present in the country.

At this point it is important to note that 15% of these companies do not report annual revenues¹.

Regarding clients served by FinTechs in Chile, most of them are individuals (36.3%) followed by corporate clients (29.7%) small and medium-sized enterprises (20.9%) and financial institutions (13.2%)^{li}.

Regional Competitive Advantage

National FinTechs have Mexico as the preferred destination for business expansion, surpassing Peru and Colombia, which rank second and third on this scale of preference^{liii}.

Among the aspects that Chile's financial system offers to FinTechs, it is worth noting that the country is characterized by a greater speed in adopting new technologies than other countries in the region. Along these lines, the financial system on which these organizations are based in Chile also stands out for the level of technological infrastructure and financial education in Chilean society^{liii}.

Relevant Actors in the Sector

Listed below are the relevant actors that have maintained their leadership in the market, together with others that are evolving within it. The evolution and penetration of Mercado Pago and the aspiration of Tenpo to become Neo-Banco, which has also launched its credit card, stand out.

1. Mercado Pago:

Allows online payments, receiving the money immediately in an account or, if preferred, through transfers^{liv}.

2. Tenpo:

Digital card that started in 2020. It ended 2023 with more than 2.5 million clients and partnerships with payment platforms^{lv}.

3. Fintual:

Allows clients to invest easily, without entry barriers (as it is possible to invest from CLP) and where savings can be organized in the form of goals. After nine (9) years of operation, it has more than 126,000 active clients^{lvii}.

4. Fintoc:

Platform that allows receiving payments and making collections from any account. It was founded in March 2020 and has already raised Series A capital^{lvii}.

5. Global 66:

Remittance service. Allows receiving international payments, and has a smart card to pay in six different currencies, without conversion costs or annual maintenance fees^{lvi}.

6. Xepelin:

Provides financial services to companies of all sizes in the areas of payments, financing and cash flow^{lx}.

7. Khipu:

One-time or recurring instant payment platform that began operations in 2013 and ten (10) years after its creation handles more than 2 million transactions per month^{lx}.

8. Flloid:

Open Finance Fintech that allows individuals and companies to share their information with third parties, perform frictionless onboarding, initiate payments, reconcile accounts and obtain financial products online^{xi}.

9. Betterfly:

Offers life insurance to employees as part of a benefits package. Through synchronized applications, the platform rewards users' good habits with "BetterCoins", a virtual currency that can be used to invest in insurance policies^{lxii}.

10. Buda:

Develops and operates cryptocurrency markets in Chile. It was founded in 2015 and currently has more than 500,000 users, being the largest cryptocurrency marketplace in South America^{lxiii}.

11. Mach:

Digital card that began operating in 2017. By the end of 2023 it had around 4 million clients in its portfolio^{lxiv}.

Recent capital raises include Fintoc, Levannta and BTrust, which raised capital ranging from USD1.5 million to USD7 million.

Fintoc: Closed its USD7 million Series A equity round in April 2024, led by U.S. firm Propel, with the objective of transforming Mexico into its main market^{lxv}.

Levannta: In December 2023 raised USD2.5 million with Manutara Ventures with the objective of consolidating its position in the Chilean sector^{lxvi}.

BTrust: In May 2024 raised USD1.5 million led by Invexor Ventures Partners to expand its operations and enhance its AI solution^{lxvii}.

Relevant draft bills and regulations

General Law 502: Published on January 12, 2024, regulates the registration of financial service providers, such as: investment advisory, credit advisory, crowdfunding platform, alternative transaction system, order routing, and intermediation and custody of financial instruments^{lxviii}.

This means that FinTechs in Chile will now become institutions regulated by the Financial Market Commission (CMF, by its acronym in Spanish) which implies challenges and opportunities in order to foster competition and growth of the FinTech market, supporting innovation and financial inclusion.

General Law 514 that regulates the Open Financial System: Published on July 3, 2024, it regulates the perimeter of the Open Financial System (SFA) the information exchange mechanisms (APIs) the security and safeguards of the system, the information to be shared, deadlines and annexes. Chile will soon publish the technical annex, for which the CMF has technical groups with market participation; therefore, it now faces the challenge of doing it in time and form so that institutions can implement the SFA and safeguard the client's experience, security and interoperability^{lxix}.

Act 21680, Law on Consolidated Debt:

On June 12, 2024, the Chilean Senate approved the Law on Consolidated Debt, which means that for the first time individuals and credit grantors will be able to access consolidated debt information, both positive (already paid or up to date) and negative or in arrears. This will help improve people's indebtedness decisions and will facilitate risk analysis by financial institutions^{lxv}.

Central Bank updates payment card

regulation: In July 2024, the Central Bank of Chile updated the regulation on the issuance and operation of payment cards. The changes reformulate the regulation of payment service providers (PSP) and incorporate two new business models, alternative payment systems abroad with payment cards issued in Chile, and payment systems between accounts of the same issuer of prepaid cards^{lxvi}.

Changes adapt the regulations to the evolution of the payment sector in Chile, with the aim of promoting the development of efficient, secure and inclusive payment systems. In this way, clients will be able to benefit from the use of electronic means of payment.

5.2

Mexico

It is worth noting that in Mexico the concept of FinTech has two meanings. The legal one, which refers to those financial institutions regulated by the Financial Technology Institutions Act (FTIA). In a broader sense, FinTech is used to refer to efforts being made by companies in various sectors, both financial and others, to offer products and services with financial and technological components. The latter concept is where most of the efforts and resources are currently being seen, companies transforming their operations through technology to offer more and better financial services, which are not currently regulated in all cases.



A. Overview

FinTech Act: In previous versions we had the opportunity to highlight the importance of the FTIA officially published in March 2018 and recently amended in May 2021, which aims to regulate the financial services provided by FinTechs; in the strict sense of the law, their organization, operation, as well as everything related to novel models.

The FTIA was supplemented by secondary legal instruments (provisions, circular letters, and regulations).

The purpose of these secondary provisions is, among others, to supplement the FTIA in matters such as: financial inclusion, technological innovation, financial stability, specification of corporate and capital requirements, operational aspects, as well as the mandatory nature of a business continuity plan focused on the technological infrastructure to solve contingencies.

In accordance with the FTIA, there are two types of entities that are regulated and require authorization by the National Banking and Securities Commission (CNBV):

► **Collective Financing Institution (IFC):** Also called crowdfunding institutions, which put people from the general public in contact in order for them to grant financing to each other through computer applications, interfaces, internet websites or any other means of electronic or digital communication. To date, 24 authorizations have been granted to these IFCs.

► **Electronic Payment Funds Institution (IFPE):**

(IFPE): They provide services comprising the issuance, administration, redemption and transmission of electronic payment funds, through computer applications, interfaces, Internet websites or any other electronic or digital means of communication. To date, 47 IFPEs have been authorized.

► **Novel Models:** Regulatory bodies have held meetings with interested parties to operate under this scheme, queries were received and so far about ten (10) authorization requests have been submitted, some of them were rejected, and others were resolved negatively, so to date no authorization has been granted.

► **Other FinTech Actors:** Beyond the 70 Financial Technology Institutions authorized to date, Mexico has approximately 773 FinTech actors in the market, which in our opinion are generating the relevant movement in the FinTech sector, since the scope of the Financial Technology Institutions regulated by the FTIA is limited.

► **Within the different segments of these FinTechs we find:**

Loans, Payments and Remittances, Technology Solutions for Financial Institutions, Sound Financial Management, Insurtech, Wealth Management, Digital Banking, and Open Finance, among others^{lxxii}.

B. Relevant Operations

Digital Banks: A relevant phenomenon in Mexico is that some companies that started in the FinTech sector, in its broadest sense, have taken the decision to request authorizations to operate as banks, through multiple banking institutions, and in the last few months Bineo, Hey Banco, Openbank, and Revout have received authorization. It is also public knowledge that other relevant actors such as Nu have started the authorization process for these purposes.

SOFIPOS (popular financial companies): For reasons similar to seeking authorization to operate as a multiple banking institution, several companies are requesting authorization or acquiring SOFIPOS, since these legal vehicles allow for a wide range of activities within the financial market, such as fundraising and placement of funds.

Investments: During 2024, important investments have been reactivated in the FinTech sector, where so many lending companies and digital payment platforms have received significant amounts of money through new investment and lending rounds with local and international financial institutions.

C. Regulatory Innovation

Open Finance: One of the biggest regulatory challenges facing the sector today, which affects the levels of collaboration and empowerment of financial users, is the so-called Open Finance.

Open Finance seeks to enable users of the financial system to consult and share their information more easily with other actors in the ecosystem, including FinTech companies.

Although individual efforts are increasingly taking place, the sector is calling for the publication of a secondary regulation that would allow users to use their information autonomously, even without the consent of financial institutions.

This expected change may be one of the next relevant reforms in the sector, and will surely attract other companies to Mexico. Although the intention is positive, the challenge is not minor, as the protection and credibility of the financial user's information will be at stake.

Electronic Promissory Notes: On March 26, 2024, one of the most relevant reforms that Mexican legislation has seen in recent times in the area of negotiable instruments was published. In particular, the published decree amends, adds and repeals several provisions of the General Law on Credit Instruments and Credit Transactions (LGTOC) and the General Law on Credit Organizations and Auxiliary Activities (LGOAAC).

This reform is a major step forward due to the legal certainty it grants to the issuance and negotiability of negotiable instruments through electronic means and other technologies, by including legal presumptions and by generally referring to the provisions of the Code of Commerce on this matter, which allows for an adequate application of the principle of "functional equivalence" in relation to the regulations that grant validity to electronic signatures.

The endorsement and transmission of negotiable instruments, including promissory notes, continues to represent a technical and practical challenge. From the technical standpoint, there is a barrier in the need to verify the identity of the final holders of such instruments through the same information system and, in practice, we have observed that Mexico, compared to other Latin American countries, faces greater challenges in the adoption of this type of technological instruments.

Notwithstanding the foregoing, for the FinTech sector, in a broad sense, this change represents a significant advantage since many of the transactions that take place around it will now have greater legal certainty, which will lead to greater agility in the sector.

Among the obvious benefits of the reform are: (i) issue, signature, endorsement and transmission of negotiable instruments through electronic means; (ii) presumption of validity, legal effects and enforceability of negotiable instruments evidenced in electronic means, provided that such instruments are kept "complete and available"; iii) presumption of integrity of negotiable instruments to the extent that the information systems allow their consultation and traceability; iv) exercise of the negotiable instrument is allowed through its digital exhibition by the holder; and v) the signature by endorsement on the negotiable instruments issued by electronic means is allowed to the extent such signature is recorded in the same information system used for their issue.



A photograph of a person in a small boat on a calm lake, surrounded by tall reeds and distant hills under a blue sky with white clouds. A glowing yellow circuit board ring graphic is overlaid on the top left of the image, partially obscuring the sky. The word 'APPENDICES' is overlaid in large, yellow, outlined letters.

APPENDICES

Appendix A

Regulation for the anti-money laundering and combating the financing of terrorism (AML/CFT) system Applicable to Virtual Asset Service Providers (VASPs) under the Supervision of the Financial Intelligence Unit (FIU) of Peru



On August 1, 2024, Resolution SBS No. 02648-2024 (The Resolution) was published in the Official Journal El Peruano.

A period of 120 days is established, counted from the entry into force of the Resolution, for the VASPs to adapt to the approved regulation.



The draft regulation establishes general guidelines, obligations and procedures that VASPs must implement in their AML/CFT systems, in their capacity as subjects obliged to report to the FIU of Peru.



Applicable nationwide to individuals who, as a business, engage in one or more of the following activities (VASPs) (*):

1. Exchange between virtual assets and fiat or legal tender currencies.
2. Exchange between one or more forms of virtual assets.
3. Transfer of virtual assets.
4. Custody and/or administration of virtual assets or instruments that allow their control.
5. Participation and provision of financial services related to the offering of an issuer and/or sale of a virtual asset.



1. Compliance Officer

Person designated to oversee the proper implementation and operation of the System for the AML/CFT. They may exercise their functions in a non-exclusive manner, unless otherwise indicated by the UIF.



2. Know Your Client

The VASP conducts a due diligence process at the time of initiating business relationships and throughout the relationship with the client. Risk-based approach.

The Know Your Client due diligence process comprises three stages:

1. Identification stage.
2. Verification stage.
3. Monitoring stage.

Simplified Regime
Non-cash transactions in amounts less than USD1,000.

General Regime:
Transactions with payment in cash for any amount.

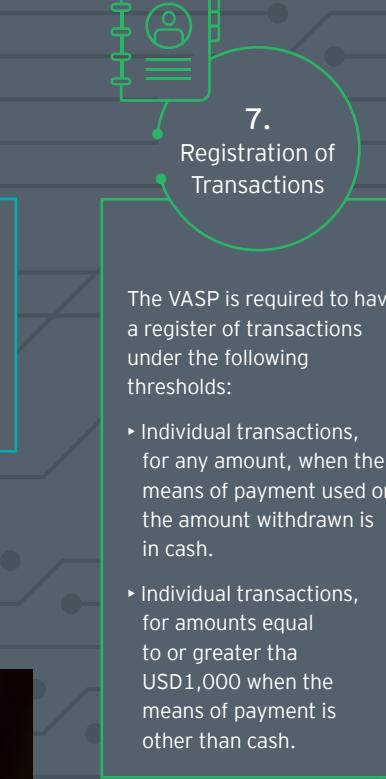
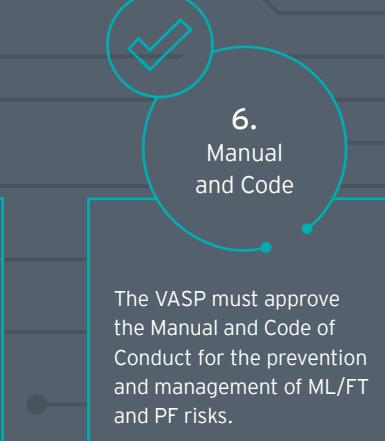
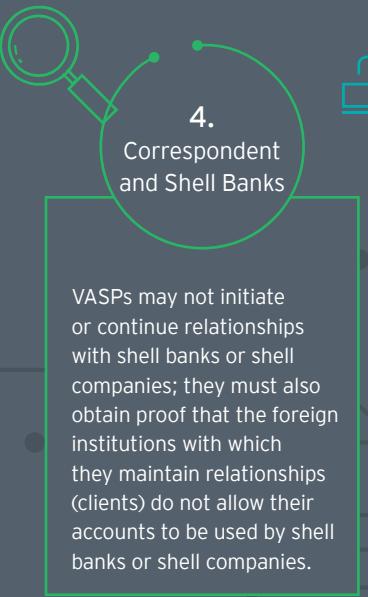
1. Transactions by means other than cash.
2. Amounts equal to or greater than USD1,000.

Reinforced Regime:
Clients with anomalous patterns and that could be highly affected by ML/FT and PF (proliferation financing) risks. Mandatorily applies to clients engaged in correspondent services with foreign companies incorporated in countries with low or no taxation or that do not have banking regulation or supervision, among others.

(*) Not covered by any other recommendation of the Financial Action Task Force (FATF)

Appendix A

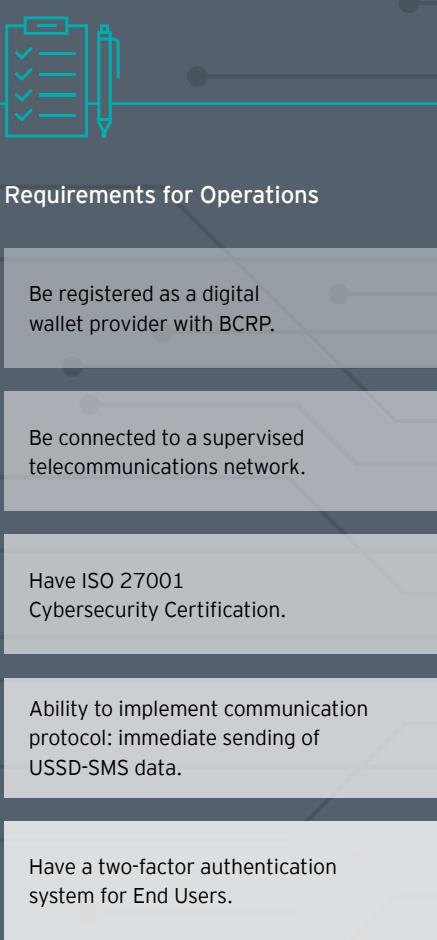
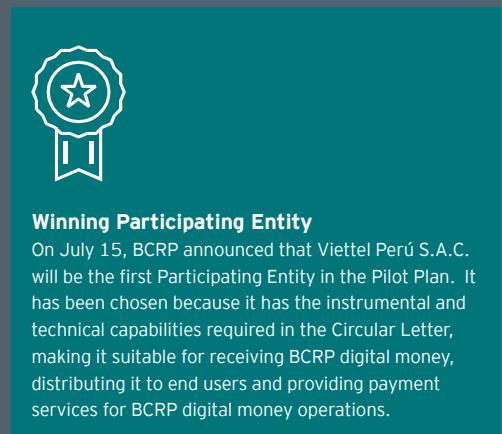
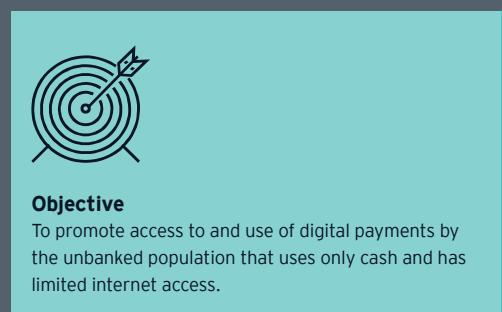
Regulation for the anti-money laundering and combating the financing of terrorism (AML/CFT) system Applicable to Virtual Asset Service Providers (VASPs) under the Supervision of the Financial Intelligence Unit (FIU) of Peru



Appendix B

Digital Money Innovation Pilot Regulation

On April 17, 2024, Circular Letter 0011-2024-BCRP was published, whereby BCRP approved the Regulation on Pilot Plans for Digital Money Innovation, the purpose of which was to invite entities interested in participating in a Pilot Plan, by submitting a proposal to expand the provision of digital services using a BCRP digital money model. The deadline for submitting their application was May 31, 2024.



1 Provides digital money from BCRP.

BCRP Digital Money

- Money in soles, in digital format, issued by BCRP.
- Kept in BCRP accounts.
- Does not generate interest.
- Backed by BCRP funds.

Participating Entity

2 Distributes BCRP digital money.

3 Performs the affiliation process for end users.

4 Provides payment services of operations carried out with digital money.



5 Has access to the periodic registry of balances and movements.

6 In the event that the participant does not continue with their activities, the BCRP will manage and return the funds at the end of the Pilot.

End of Pilot Plan

- After one calendar year from its inception, or at the end of the extension.
- The participating entity ceases to receive funds for the distribution of digital money.

End Users

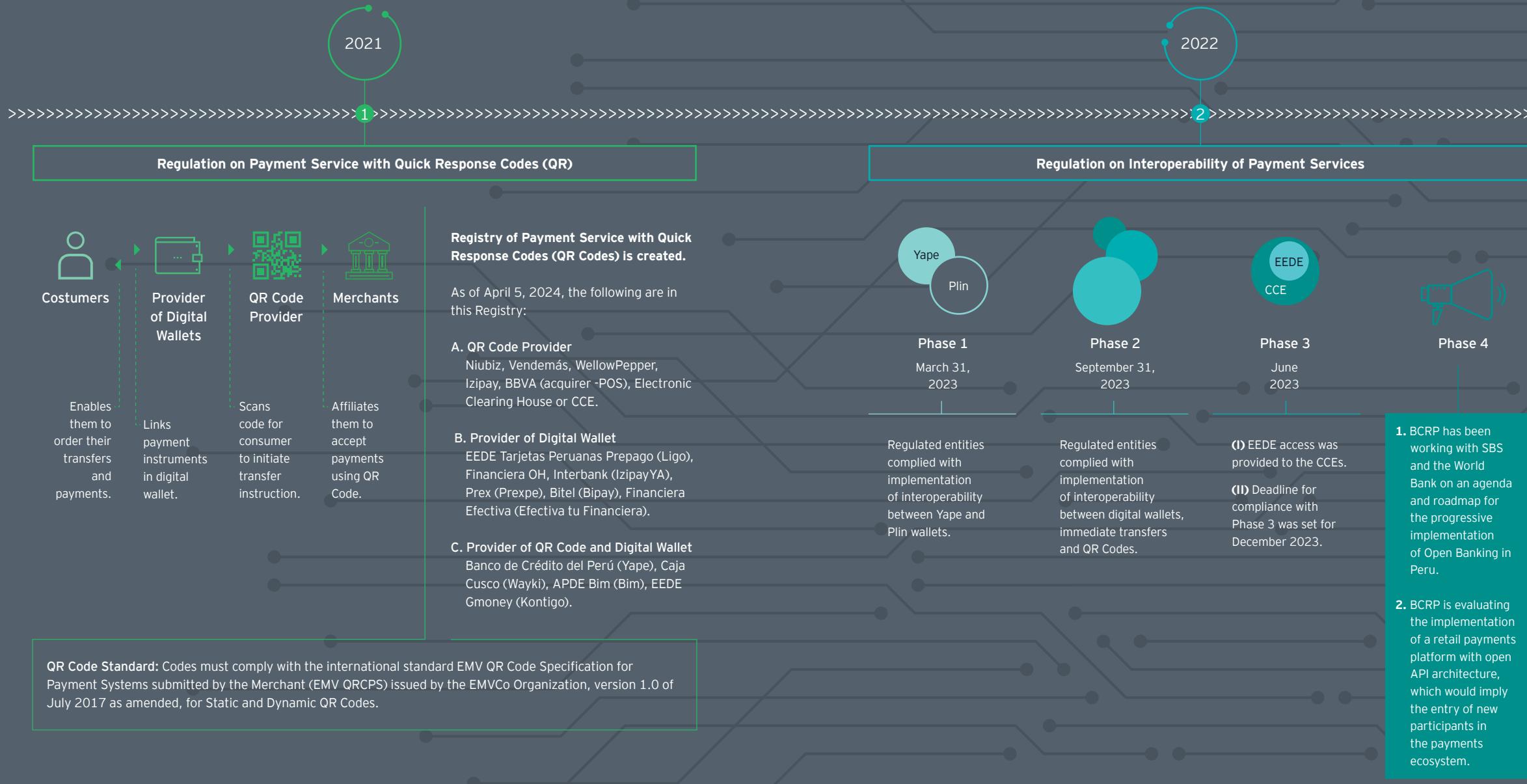


Types of Transactions with BCRP Digital Money

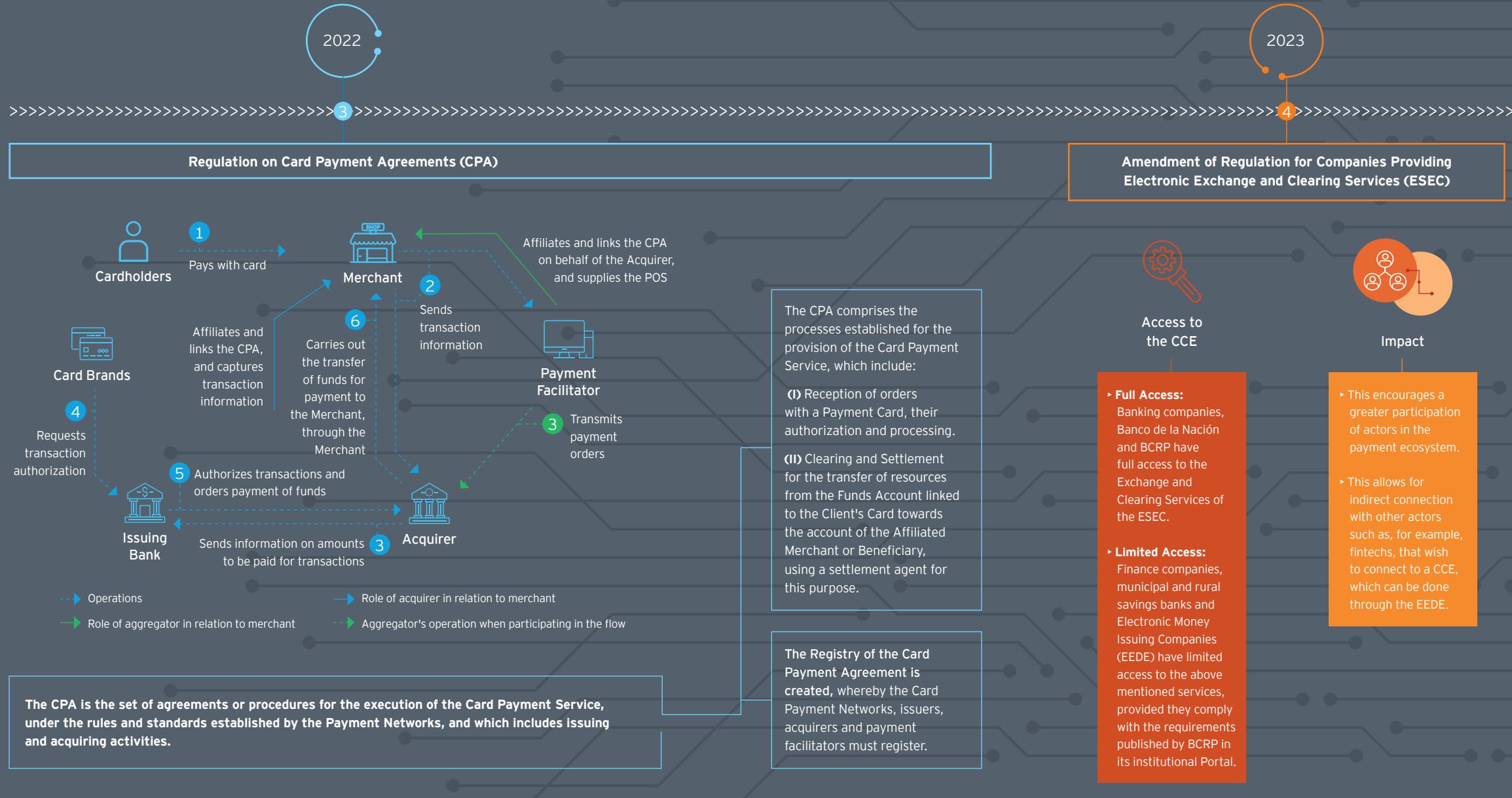
- Payment for the purchase of goods and services.
- Credit and withdrawal of funds from Digital Money Accounts.
- Transfers of funds between Digital Money accounts.

Appendix C

Payment System Infographic (Main Regulations)



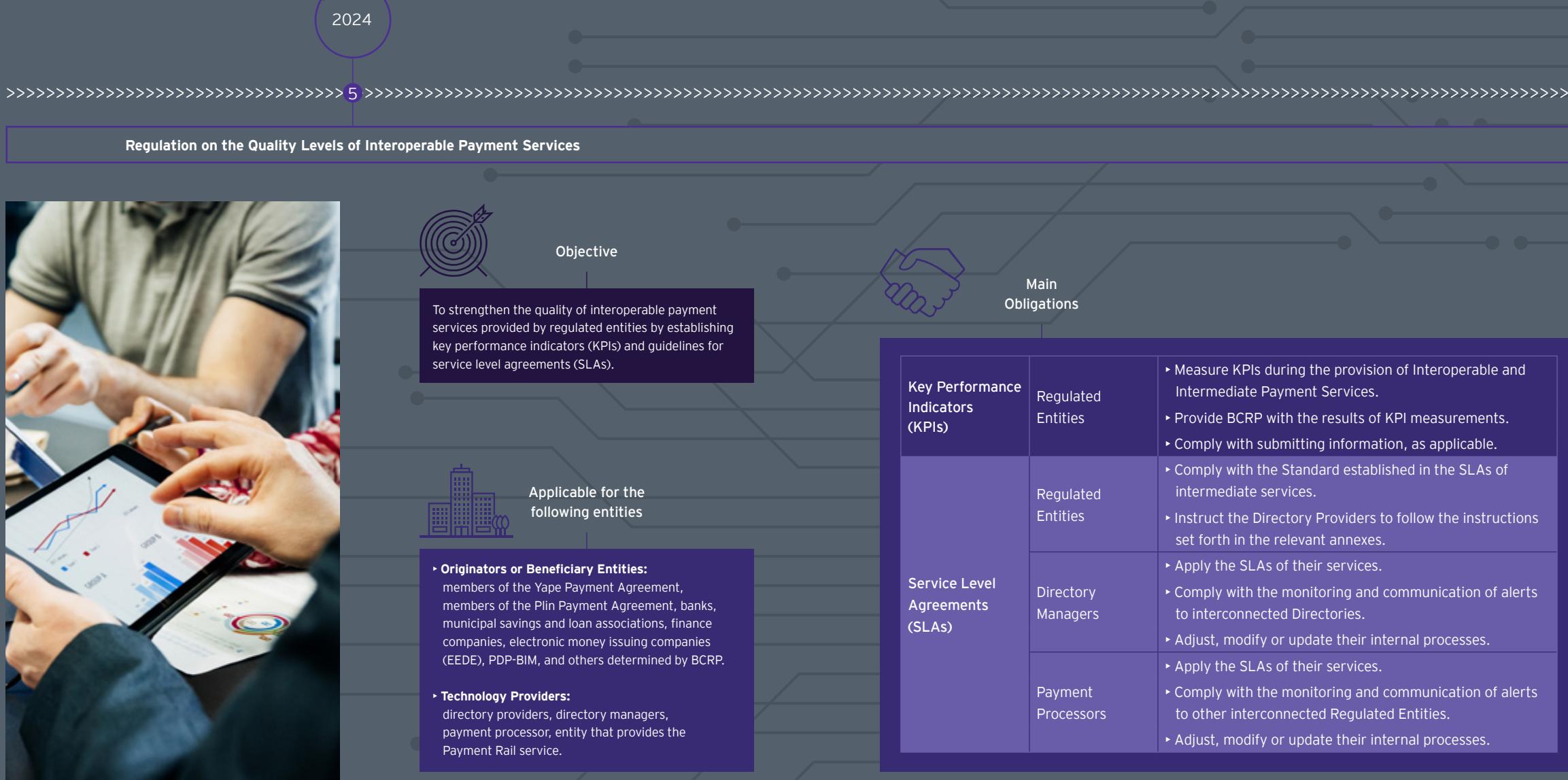
Appendix C

Payment System Infographic
(Main Regulations)

Source: Circular Letter 027-2022-BCRP, Annexes and Registry of Participants in the CPA.

Source: Circular Letter 0010-2023-BCRP.

Appendix C

Payment System Infographic
(Main Regulations)

Source: Circular Letter 0009-2024-BCRP and annexes.

Appendix D

Draft bill: Rate caps are suspended



Draft Bill⁽¹⁾ amending Law 31143, which protects consumers of financial services from usury, to promote the financial inclusion of individuals and small and micro enterprises in the face of economic recession.

► **Procedural status:** Opinion approved by substitute formula, pending opinion of the Consumer Protection Commission.

Which product? (Article 221, Section 3, Paragraph C of Law 26702)
Consumer credit, low-amount consumer credit and credit for small and micro enterprises.

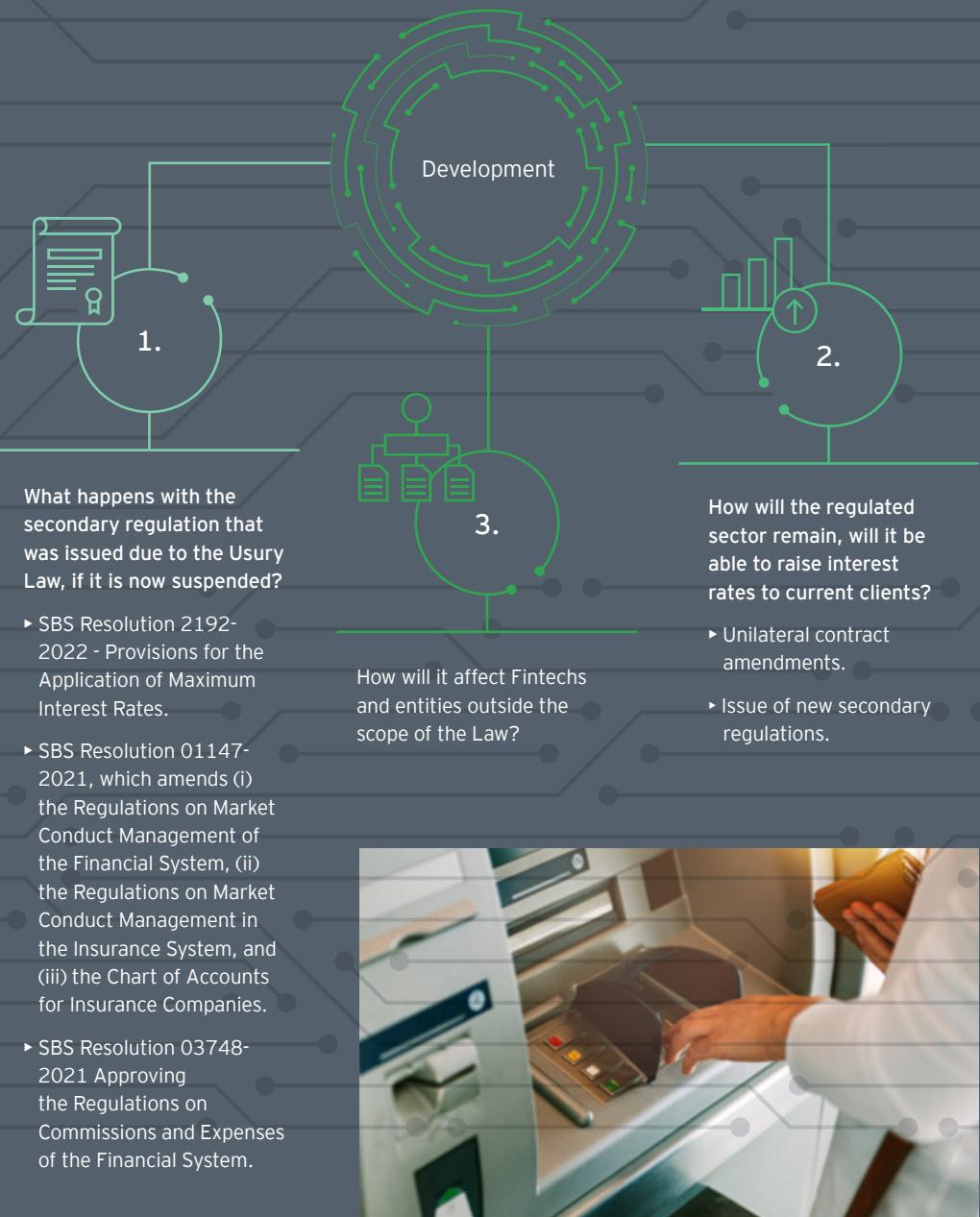
► **Low-amount consumer credit:** equal to or less than 2 Tax Units (UIT, by its acronym in Spanish).

► Decree-law 26123 - Article 52
The Central Reserve Bank (BCRP) encourages that interest rates for operations in the financial system be determined by free competition, within the maximum interest rates it sets for this purpose pursuant to its powers. The Bank has the power to set maximum and minimum interest rates, on a semi-annual basis, (...). Lending interest rates charged above this limit shall be considered usury interest rates and characterized as a crime. (...)

► Law 28587 - First Paragraph of Article 6. Charging of Interest, Commissions and Expenses.
Interest rates charged by companies in the financial system are freely set within the limit established by the BCRP, in accordance with Article 52 of Decree-law 26123, the Organizational Law of the BCRP. (...)

► Law 26702 - Article 9. Freedom to Set Interest Rates and Procedures for the Collection of Commissions and Expenses.
Companies in the financial system may freely set interest rates within the limit established by the BCRP, in accordance with Article 52 of Decree-law 26123, the Organizational Law of the Central Reserve Bank of Peru (BCRP).

(1) Opinion on Draft Bills 6341-2023-CR, 7134-2023-CR, 7181-2023-CR and 7503-2023-CR, under the substitute text presented by the Commission.



Appendix E

Draft regulation: Regulation of Law No. 31814

- Law that Promotes the Use of Artificial Intelligence (AI) in favor of the Economic and Social Development of the Country



Executive Summary

The draft regulation aims to

- Establish conditions that guarantee respect for human rights, as well as the ethical, safe and sustainable use and development of AI.
- Strengthen the institutional framework and governance of this technology.
- Promote the use and development of AI.



To whom does it apply?

To public entities, companies within the scope of FONAFE, and public companies of regional and local governments that use AI-based systems.

- It is applicable to civil society and the private sector under a guiding and referential nature.



Background

The draft regulation was published on May 2, 2024. Comments were received until June 2, 2024.



New Obligations for Implementers

Transparency

The implementers must:

- Inform the citizen or consumer about the use of the system based on AI with which they interact or with the service or product that uses AI.
- Offer a clear and simple explanation about the operation and parameters used to reach a decision when requested.
- Provide information about the person responsible for the decision making and the rights available to the affected person, as well as the mechanisms to exercise such rights.



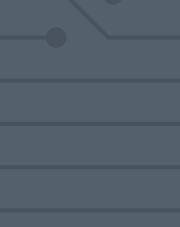
Classification by Risk

Unacceptable Risk

Modifying a person's behavior through subliminal techniques or deliberately deceptive techniques (...)

Classifying the reliability of an individual or group through the quantification of their social behavior if it causes a detrimental effect and is unjustified or disproportionate with respect to their social behavior or the social context is unrelated to the input data.

It is prohibited within the national territory.



New Obligations for Public Entities

For public entities:

New obligations and responsibilities arise.

Role of the Data Governance Officers:

- Responsible for coordinating with the entities the proposals for initiatives and use cases of AI-based systems, ensuring regulatory compliance. They are appointed by the head of the entity.

Controlled experimentation and testing environment (Sandbox)

Any public entity developing AI-based systems may request its participation in the controlled experimentation and testing environment implemented by the SGTD.

Ethical use

The implementers must, among other obligations:

- Identify and minimize biases in the algorithms or databases used.
- Comply with copyright and intellectual property rights.
- Establish a communication channel so that the citizen or any person in general can warn about the improper use of AI-based systems or non-compliance with the implementer's obligations.

High Risk

When it lacks explanation or in the following activities:

- Biometric identification and categorization.
- Access to an education center or evaluation of students.
- Selection, evaluation or termination of workers or applicants.
- Access, evaluation, prioritization and/or termination of the provision of social programs and/or emergency services.
- Credit evaluation of individuals.
- Support in decision making, or in regulatory or factual interpretation by a jurisdictional authority.
- Access to health services, prioritization of harm in emergencies and evaluation of sensitive personal data of individuals.
- Other obligations established in the draft.

Implementers who carry out operations with high risk systems are subject to additional obligations.

General Definitions

- **AI:** Artificial Intelligence
- **AML/CFT:** Anti-money laundering and combating the financing of terrorism (AML/CFT)
- **APEC:** Asia-Pacific Economic Cooperation
- **API:** Application Programming Interfaces
- **BaaS:** Banking as a Service
- **BCRP:** Central Reserve Bank of Peru
- **CBDC:** Central Bank Digital Currency
- **CCE:** Electronic Clearing House
- **CPA:** Card Payment Agreements
- **CUE:** Unique Foreigner Code
- **CUI:** Unique Identification Code
- **DAO:** Decentralized Autonomous Organization
- **DLT:** Distributed Ledger Technology
- **EEDE:** Electronic Money Issuer
- **ENAHO:** National Household Survey
- **FaaS:** Fintech as a Service
- **FPF:** Crowdfunding
- **IDB:** Inter-American Development Bank
- **IMF:** International Monetary Fund
- **INDECOPI:** National Institute for the Defense of Competition and the Protection of Intellectual Property
- **INEI:** National Institute of Statistics and Information
- **IPD:** Digital Payment Indicator
- **FIU:** Financial Intelligence Unit - Perú
- **FTI:** Financial Technology Institutions.
- **MEF:** Ministry of Economy and Finance
- **ML:** Machine Learning
- **ML/FT:** Money Laundering and Financing of Terrorism
- **NFT:** Non Fungible Token
- **OECD:** Organization for Economic Co-operation and Development
- **ONGEI:** National Office of E-Government and Informatics
- **OSIPTEL:** Supervisory Board for Private Investment in Telecommunications
- **PL:** Draft Bill
- **RENIEC:** National Vital Statistics and Civil Registry Office

- **RUC:** Tax ID Number
- **SBS:** Superintendence of Banking, Insurance, and Private Pension Fund Management Companies (AFPs)
- **SGTD:** Secretariat of E-Government and Digital Transformation
- **SMV:** Securities Market Superintendency
- **SUNARP:** National Superintendency of the Public Records Office
- **SUNAT:** National Superintendency of Customs and Tax Administration
- **UN:** United Nations
- **UPI:** Unified Payments Interface
- **USD:** United States Dollar
- **VASPs:** Virtual Asset Service Providers
- **VAT:** Value-Added Tax



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