

“Bancarización”

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What is financial intermediation ("bancarización")?



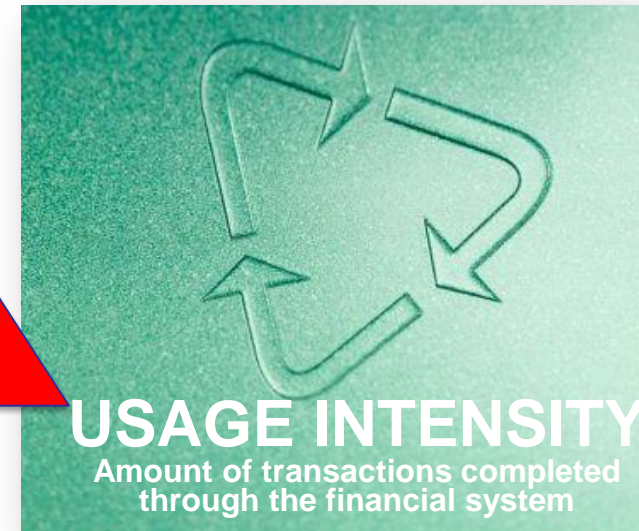
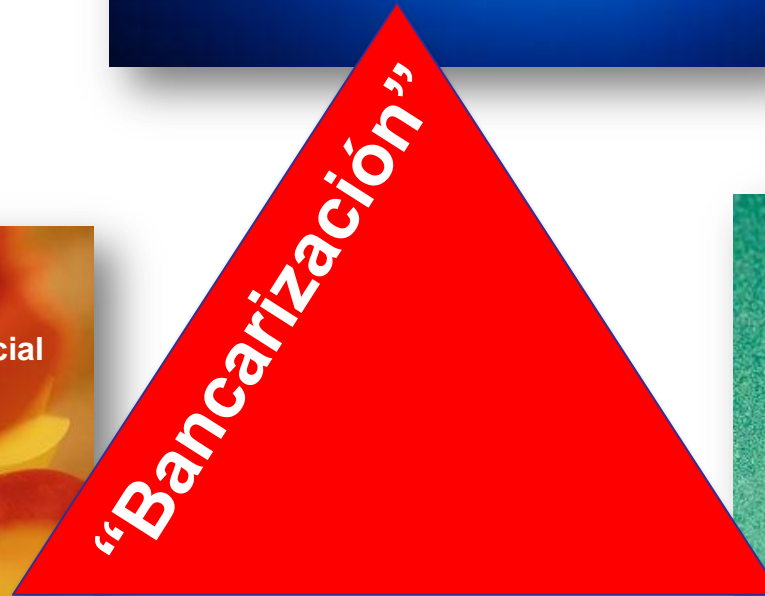
**bringing new customers
into the banking system**

<Building strong and broad relationships between financial institutions and consumers, reinforcing social stability and providing access to financial education>

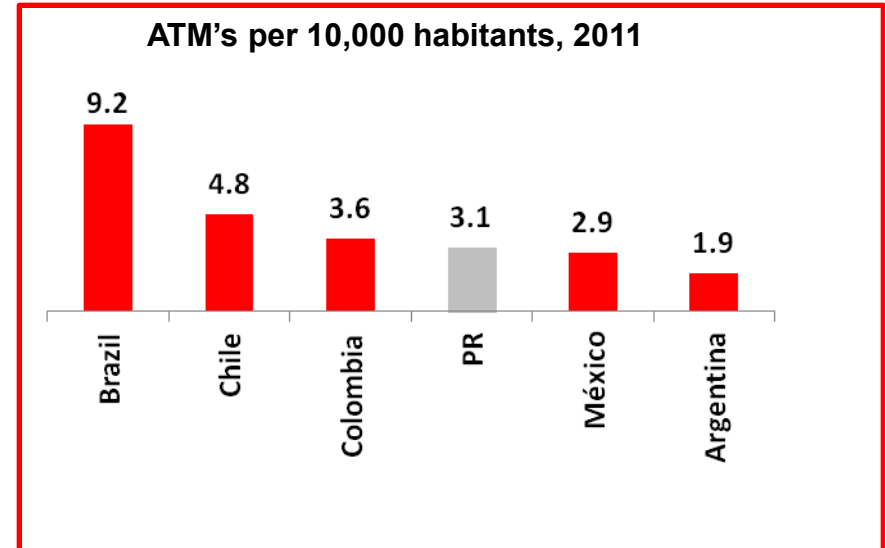
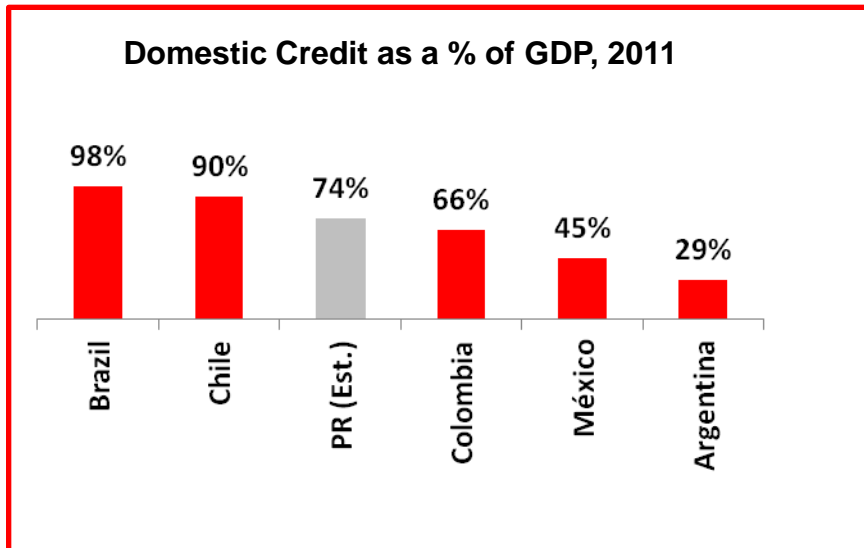
“Bancarización” = Social Inclusion = Growth



3 Dimensions of “bancarización”



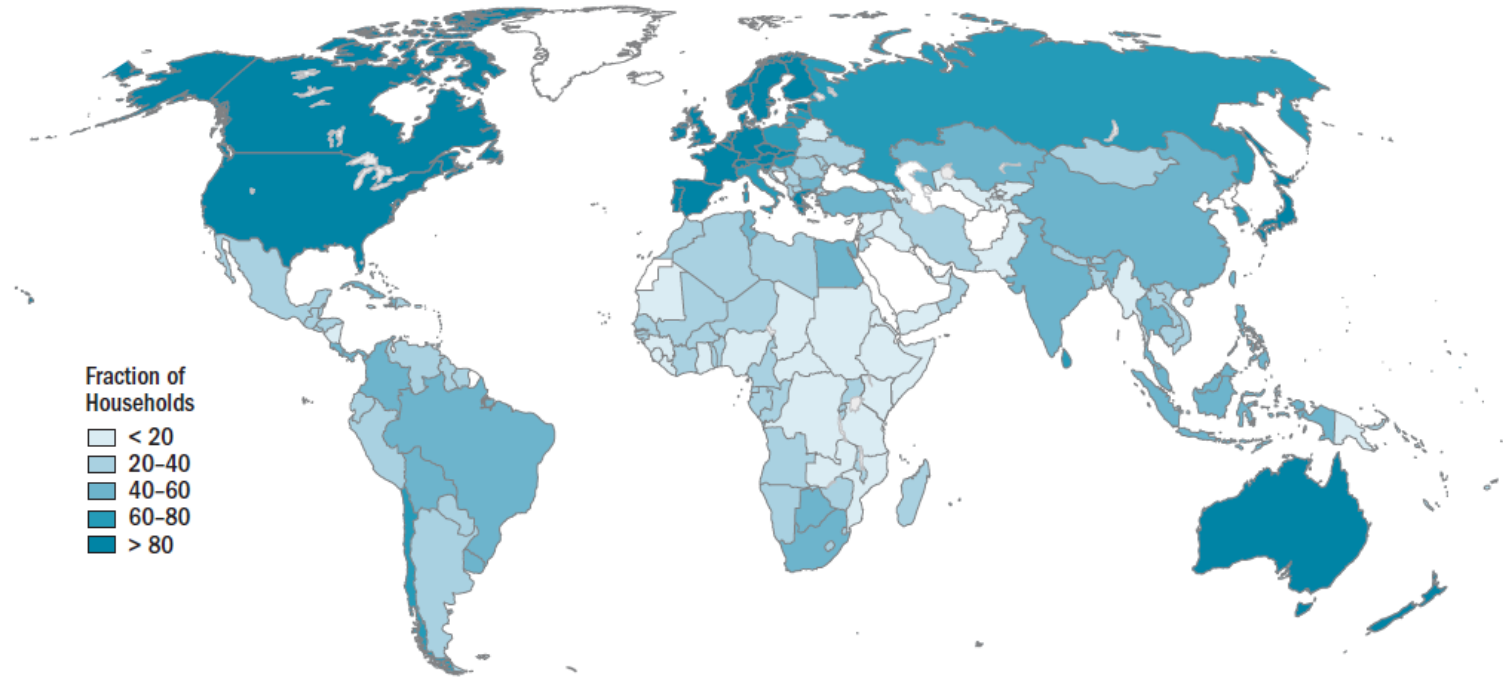
Although it may seem we are doing well vs. Banking System in LATAM, against US we turn out to look weak



...a third or more of Puerto Rico's population is "unbanked", versus 7.7 percent in the rest of the U.S."

[Bloomberg View, 2/27/12]

Because countries where households have more access to financial services tend to have a higher per capita income



Sources: Beck, Demirgüç-Kunt, and Martinez Peria (2007b); Christen, Jayadeva, and Rosenberg (2004); Peachey and Roe (2006); and Honohan (2006). See also box 1.4.

***“...to fight money laundering and promote development, the island’s government should do more to encourage its residents to use banks.*”**

[Bloomberg View, 2/27/12]

Other states have already started the process



Bank on San Francisco (2006):

First initiative in the US. The City of San Francisco.

Target population: 50,000 unbanked individuals.

Results: On average 10,000 individuals banked per year.

“Bank on Indianapolis” (2009):

Target unbanked population of 80,000.

During first year 10,000 individuals already banked.

Regulatory Agencies already taking steps:

- Department of the Treasury (“Bank on USA”)
- FDIC (The New Alliance Task Force)
- FED & CFPB

“Bancarización” means Economic Development...

-
Unemployment
Informal Economy
Crime
Fraud
Operating costs

+
Safety
Education
Health
Fiscal Revenues

More Social Development upon
strengthening **FORMAL ECONOMY**

How can we bank the unbanked population?

[How we can do it in Puerto Rico]

Improving access to financial services

- Bank transaction incentives (payrolls, direct debits or e-payments)
- Geographical service coverage
- Accessibility to financial services
- New accounts requirement simplification
- Development of tools encouraging savings and investments

Encouraging competition by Regulation

- Elimination of maximum rates and commissions based on free competition
- Credit Register (SMBs)
- Elimination of charges (review whether there is any imposed on bank transactions)

Providing Financial Education at all levels in a continuous basis

What do we need?

Capabilities of PR Financial System

- Geographical Coverage & Distribution (*Branches: 651*)
- ATM & POS Network (*ATM: 1,400 & POS: 39,626*)
- Technological Infrastructure



Private players promoting electronic transactions

- Retailers, gas stations, education (Universities, Schools, etc.)



Public entities promoting electronic transactions

- Taxes, utilities & payrolls agents





**has been a key player in our core markets
in this process and we will be delighted
to collaborate once again,**

this time in Puerto Rico

[Bank on Puerto Rico]
is a **MUST.**
...lets do it now!

