

THE CASE: MERCADO PAGO INVESTMENT SOLUTION

CONTEXT

In 2018 there were over 450,0000 custodial accounts in Argentina. This reflects that only 1% of the population had access to invest in the financial system, which was far below average in comparison to other countries of the region. Those who were banked and had some kind of knowledge of investments were the target.

AN INNOVATIVE SOLUTION

In light of the chance of providing access and the possibility to invest to a huge sector of the population, which was left out of the financial system, in October 2018, Mercado Pago launched an investment solution targeted at users of its digital wallet, who were able to open a custodial account and invest their money on Bind mutual funds with just 5 clicks, in only 3 minutes. By clicking on the “invest” option, the user can start getting returns from the account balance. Moreover, the solution is in compliance with the monitoring process required by regulatory bodies.

This initiative was quite innovative and allowed including an audience that, the majority of them, had not had access to investments. Mercado Pago’s goal is to bring a Mutual Fund to the market aimed at small investors, with a straightforward solution, 100% online. Thus, by means of the use of technology, a sophisticated product becomes an accessible option for everyone.

Features

- The minimum investment is 2 Argentine pesos (ARS).
- It generates returns, which are reflected on a daily basis.
- Money is always available to be used at any time for: buying with a QR code, withdrawing cash or paying at shops with Mercado Pago prepaid card, transferring money to a bank account, recharging the transport card or cellphone, paying utilities, transferring money to friends, etc.
- There is no minimum permanence period and users can stop investing at any time, with just a click.
- It is trustworthy and transparent: It is a mutual fund regulated by the Argentine National Securities Commission (CNV) which is managed and custodied by BIND Group companies.

How does it work

It is not necessary to have a bank account for investing in the Mutual Fund. Users only have to: open a Mercado Pago’s digital account or log into it, complete their personal data and upload a photo of their IDs from their cellphones. In case of not having funds in their accounts, users can deposit money by means of a wire transfer, a debit card, or by depositing money through Pago Fácil or RapiPago.

1. Log into Mercado Pago app.
2. Select “your money can increase” option below the balance in your account.

3. Complete requested information. Having the ID at hand is necessary to validate that the person is the account holder.
4. Every time money is deposited, return is generated automatically.
5. The Mutual Fund works during market hours, in other words, movements will be reflected from 11 am to 5 pm except on holidays and weekends, when the market is closed, and will be reflected on the following business day.
6. Daily returns are generated and money is always available.

Target

Mercado Pago is aimed at investors with low appetite for risk, whose main goal is capital conservation, keeping a high liquidity level in the short run, in a context of 50% inflation annually in Argentina.

Contrary to what occurs in the financial system, investors of this mutual fund managed by Bind, do not need to hold a bank account. They only have to log into Mercado Pago app, complete their personal data and upload a picture of their ID from the cellphone.

Technological breakthrough

Mercado Pago has developed its platform together with Bind (custody agent) and Poincenot Tech Studio (a technological developer). These partners facilitated that the product climbed largely towards a massive and inclusive service.

Customer registration process and transaction monitoring with a 100% digital onboarding were resolved with trak.e, Poincenot cloud native regtech platform, which allowed to automate operations such as money laundering regulations, Know Your Customer (KYC), digital files, and issuing alerts on the basis of investment profiles.

These tech breakthroughs permitted reaching a prominent platform automation which operates in real time with minimum human assistance.

The automated mutual funds subscription and redemption encourage not only the rapid growth of platform user volume, but also productivity improvement and bind internal process saving, whose AML team is currently supported by 2 trak.e. Analysts. Poincenot incorporated b.trader technology, a white label solution aimed at digital transformation of trading platforms, to facilitate the experience and achieve optimization in the processes.

Besides, Mercado Pago allows interoperability by means of a UVP (uniform virtual password). Thus, money transactions can be carried out from and to any bank. This allows achieving a unified system, where the investor has all the tools available for him and the ability to choose how he desires to operate.

Financial impact and inclusion

This technological innovation promoted the opening of more than 3,700,000 new investment accounts. Nowadays, the daily average of opening is 6,000 investment accounts, and transactions (subscription and redemption) reach 1,000,000 daily.

User-friendliness was a key factor which allowed those who were left out of the financial system to have access to investment products.

Requirements for operating funds in Mercado Pago are as follows: Having an account in the platform and answering some simple questions, mainly to identify the investor's profile and comply with the regulatory framework.

Apart from the Mutual Investment Fund, users can also make use of the benefits brought by this digital wallet:

- Make transactions with QR code.
- Utilities payment.
- Cellphone recharge.
- Transport card recharge.
- DIRECTV recharge.
- Balance transfers.

Regarding the impact on the ecosystem, after the success of this initiative, other local fintechs developed their own investment solutions, promoting competition, adding more people to the financial system and increasing, even more, the financial and digital inclusion to small and newbie investors.

Entities involved:



bind

www.bind.com.ar

Argentine Private Bank with full national capital. Its business strategy focuses on providing financial products and services with the aim of being a benchmark in services and innovation in the Argentine financial system.

The key factor for growth was the development of a Corporate banking segment and then venturing into retail banking.



Poincenot tech.studio

www.poincenot.com

Technology Company which assists financial entities that desire to develop new business or accelerate existing business growth in the digital world through Fin Tech white-label focused on end user.



Mercado Pago

www.mercadopago.com.ar

It is Mercado Libre's payment solutions, the leading technological company in e-commerce and fintech solutions in Latin America. Its purpose is to democratise business and financial services to transform the lives of million of people in the region.

Press articles

Date	Source
05/18/2020	Roadshow
05/14/2020	iProfesional
11/27/2019	Inversor LATAM
11/27/2019	Memo. Política, economía y poder
11/27/2019	Ser industria
11/27/2019	A24
11/27/2019	Forbes
11/26/2019	Télam
11/26/2019	El economista
11/25/2019	Roadshow
10/09/2019	Frecuencia online