

# “Bancarización”

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# What is financial intermediation ("bancarización")?



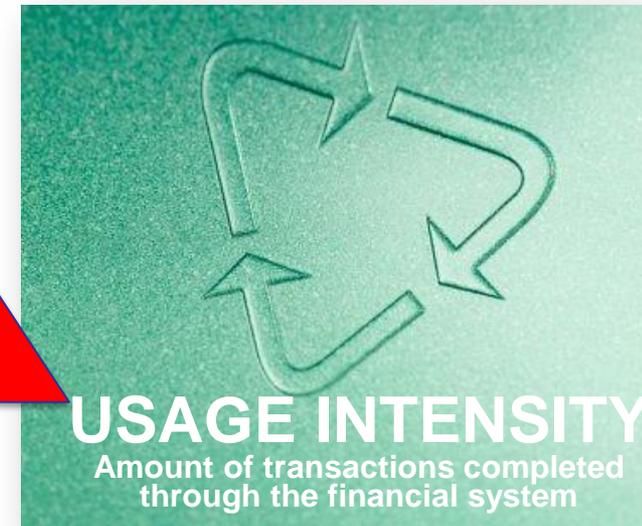
**bringing new customers  
into the banking system**

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

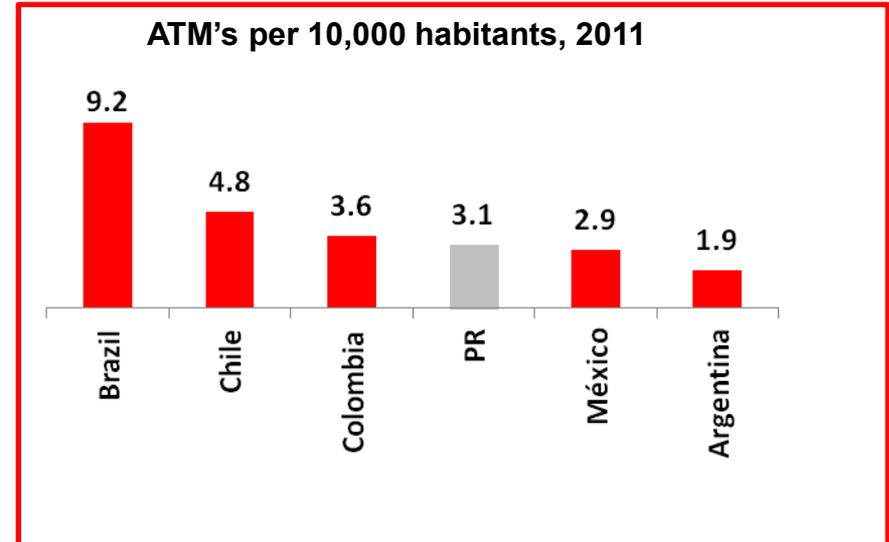
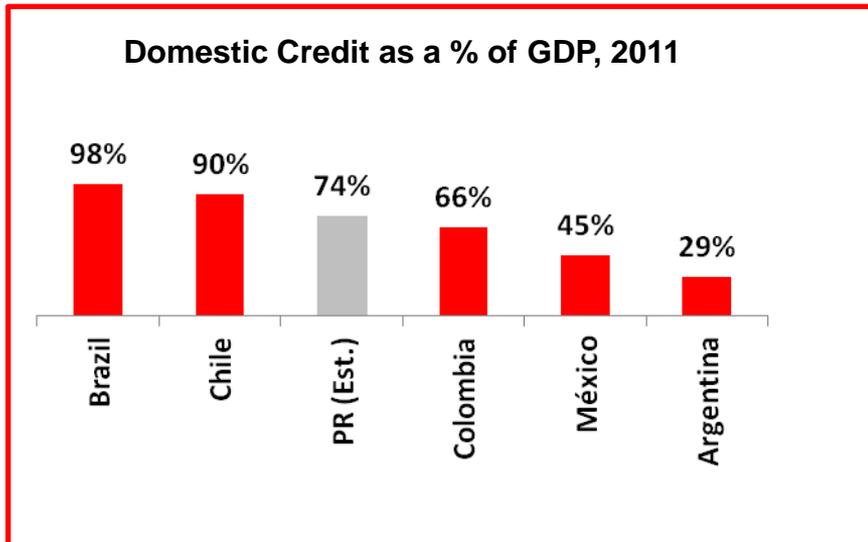
**“Bancarización” = Social Inclusion = Growth**



# 3 Dimensions of “bancarización”



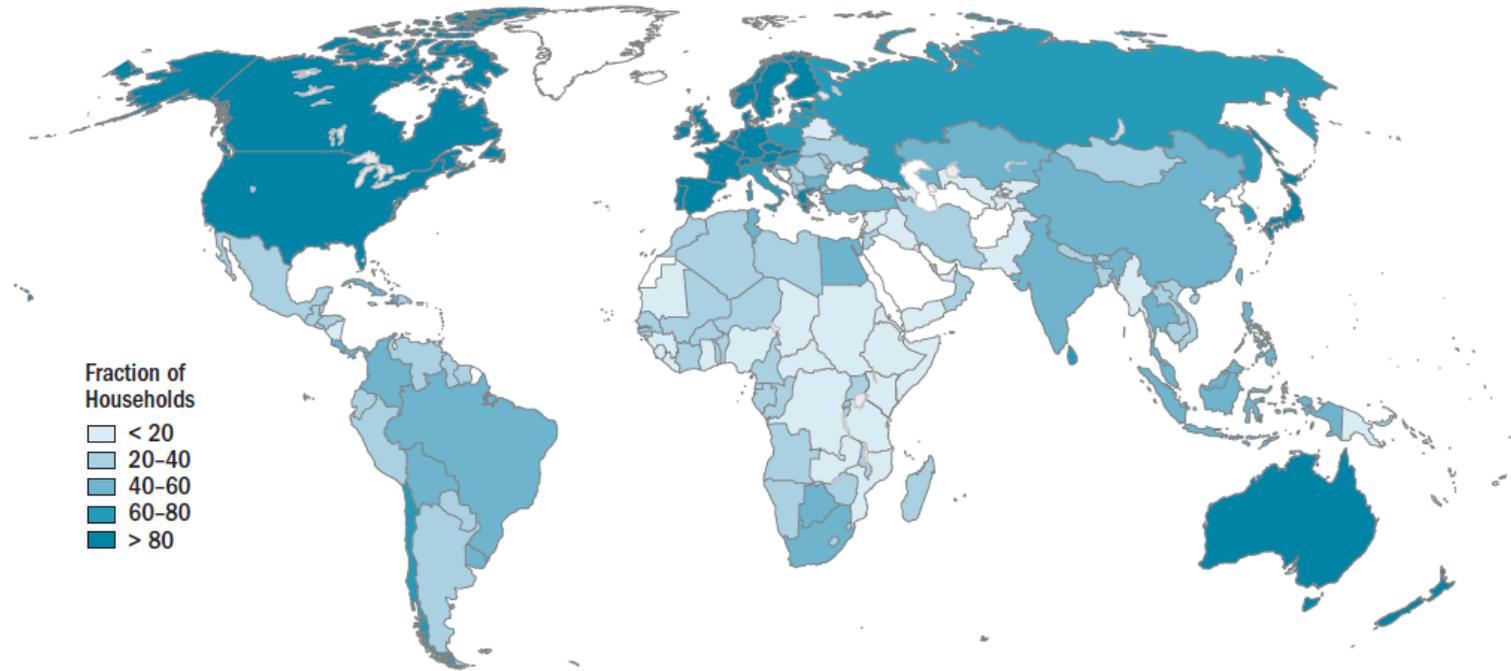
# Although it may seem we are doing well vs. Banking System in LATAM, against US we turn out to look weak



***...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 Martínez 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!**

