

Mexico Eyes Mobile Phones To Boost Financial Service Use

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MEXICO CITY (Dow Jones)--Mexico's push to bring more people into the banking system and out of the cash economy will get a helping hand this year when regulations are put in place to allow consumers to make basic financial transactions using their mobile phones.

"We are creating a regulatory framework to allow mobile phones to be used like a debit card," said Carlos Marmolejo, director of technology and risk management supervision at the National Banking and Securities Commission, or CNBV, in an interview.

Policymakers have sought to increase access to financial services in recent years by issuing new bank licenses and promoting the use of banking agents - third parties such as retailers hired by a lender to conduct transactions for their clients - to complement traditional bank branches.

The authorities now want to take advantage of the widespread use of mobile telephony to bring financial services to consumers who are underserved or don't use banking services, especially the urban and rural poor whose contact with a bank might be limited to paying bills or collecting remittances.

Mexico's four mobile operators reported 80.4 million subscribers at the end of June. In comparison, there were 58.4 million debit cards in circulation through the end of March, according to the Bank of Mexico.

The Bank of Mexico in July issued rules for "mobile bank accounts" that can receive deposits worth up to 2,000 inflation-indexed UDIs - currently about 8,500 pesos (\$646) - each month.

With these accounts, consumers will be able to use mobile phones to pay for items at a convenience store, or transfer money between accounts under a concept generally known as mobile payments.

The CNBV aims to publish regulations later this year that will allow wireless carriers, some of whom have large customer service networks, to act as banking agents.

Carlos Lopez-Moctezuma, chief of staff and spokesman for the CNBV, said the authorities are leaving it up to banks to choose a business model and fee structure.

"In the area of banking agents we stipulate that agents cannot charge the client anything. The one who charges, and he can charge whatever he wants, is the bank, and the bank pays the agent," Lopez-Moctezuma said.

Serge Elkiner, president of YellowPepper, a provider of mobile payment products in six Latin American countries, said carriers stand to benefit from higher average revenue per user and lower customer churn.

Some carriers see those two factors alone as sufficient to make mobile payments a viable business opportunity, he said.

"I think the challenge we will see in Mexico is the business model," said Elkiner, who thinks the country's highly concentrated wireless market could make it difficult for banks and carriers to strike deals.

Telcel, a unit of Latin America's No.1 mobile operator America Movil SAB (AMX), has a 72% market share by subscribers, followed by the local unit of Spain's Telefonica SA (TEF) with nearly 20%.

Telcel, is a "natural candidate to provide mobile payment services" given its experience and infrastructure, said Alejandro Magana, the company's deputy director of productivity services, in an emailed statement.

Banamex, Mexico's No. 2 bank and a unit of Citigroup Inc. (C), plans to offer mobile payment services next year, probably with a mobile operator, said Marcelo Scaglia, head of retail products, in an interview.

The bank will leverage its network of 4,500 banking agents and adapt a prepaid debit card product that it distributes through a joint-venture with retailer Organizacion Soriana SAB (SORIANA.MX) for its mobile payment offering, Scaglia said.

Uptake will likely be gradual, said Scaglia, who expects the bank's existing clients to be early users of mobile payments until it catches on with the broader public.

Rather than a source of fee income, Banamex sees mobile payments as an opportunity to eventually capture low-income consumers who over time might demand more sophisticated financial services.

"We see it as a [customer] acquisition vehicle," Scaglia said. "We are going to set a price that covers our costs."