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Impact of digitalisation of financial services on supervisory practices:

Mexican case

IOPS Technical Committee Meeting

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Mexico's pension system overview

DC Pension System created 20 years ago as a mandatory system for all formal workers

120 million Mexicans

60 millions of members

22 millions of active workers

57% of informality

6 out of 10 workers do not contribute

$160 billions of AUM

14.7% of GDP

11 pension funds providers

The Mexican pension system faced several risks

Challenges in 2013

1. Insecurity: Bad practices, frauds and identity theft

2. High storage cost: Use of paper in each service provided by pension funds

3. Poor quality services: Members wasted time in long and complex procedures

4. Incomplete or illegible files and lack of audit trails

5. Low voluntary savings

6. Traditional supervision

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Traditional Services

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Traditional Supervision

How to protect personal information?
How to foster voluntary savings?

Better information

Safety

Savings made easy

Controls and monitoring

Anyone can register easily

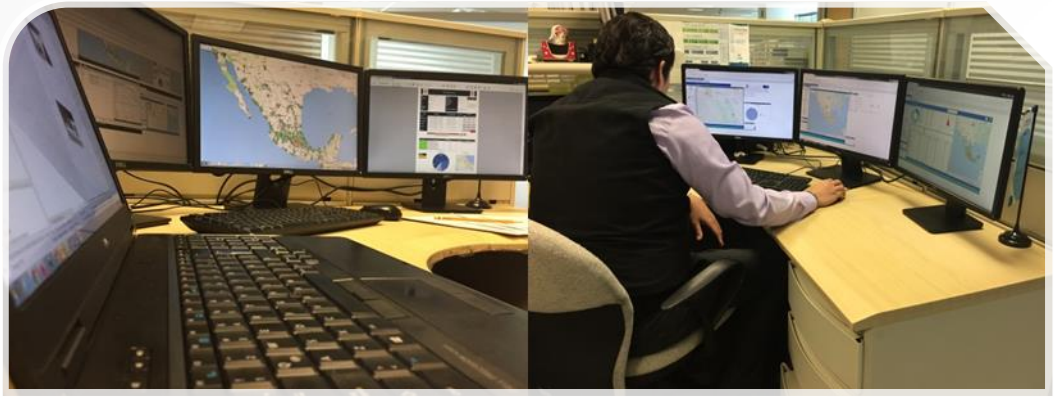
Digitalisation in the Mexican pension system

The 4 "S" of digitalisation:

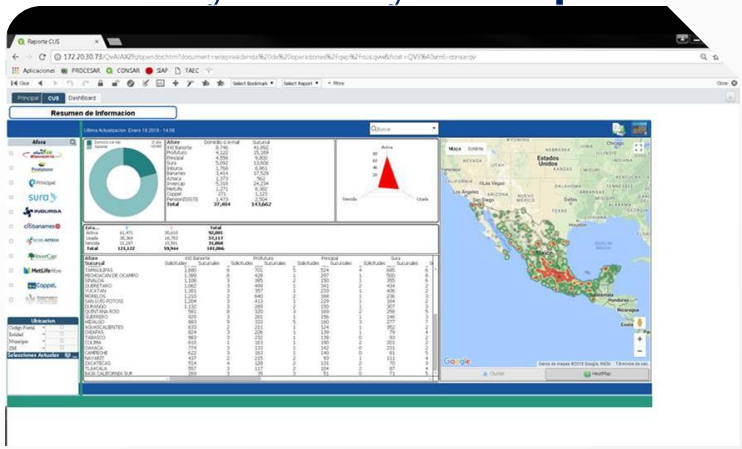
1. Suptech
2. Security
3. Services
4. Single electronic file

Technological platforms of monitoring

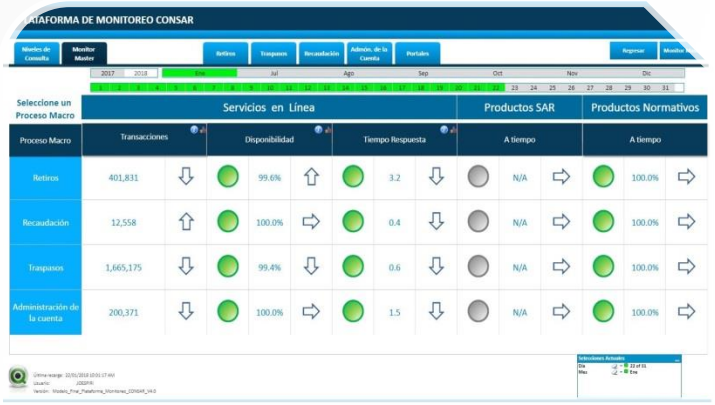
Cybernetic research and fraud prevention



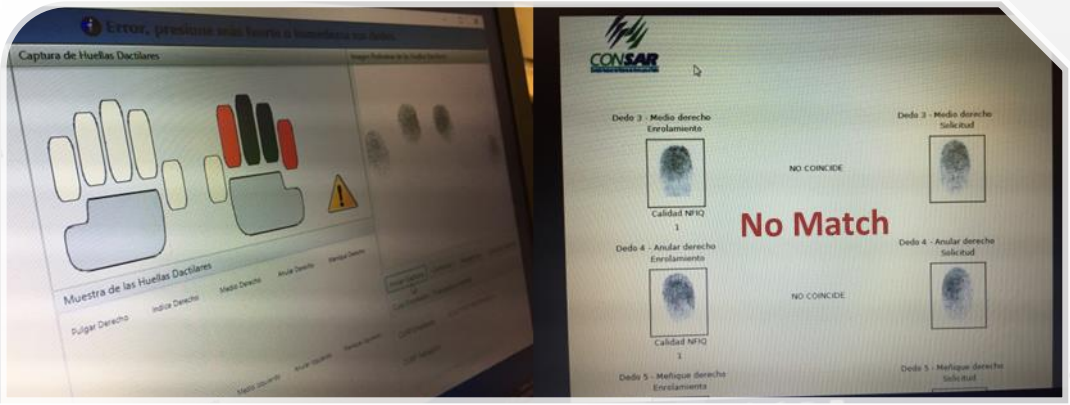
Traceability of the system operation



Online monitoring platform

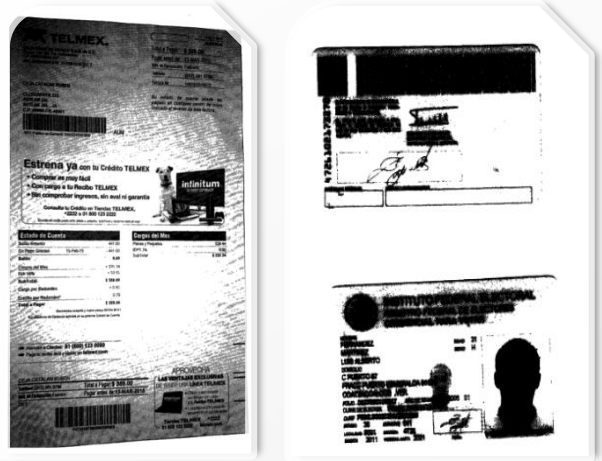


Biometric Lab



2015: Single electronic file

A digital file that collects all documents and personal information of every person who has an individual account



Advantages:

- Accurate member's information
- Checking validity or accuracy is easier and safer
- Lower operating costs
- Security and control in the use of saver's information
- 100% paperless system

Security: Introduction of biometrics in 2016

Pension funds must include biometric information into the electronic file of each worker

When a worker asks for a service (i.e. withdrawal of voluntary savings), an executive of the pension fund must capture:

- 10 fingerprints

- Voice recording

- Digital signature

Advantages:

- Avoid identity theft
- Greater security controls
- Faster bureaucratic procedures
- Lower operational costs

Services: Mobile app "Afore Móvil"

This app for mobile devices brings workers closer to the pension system

Identity security:

- Citizen ID number validation
- Official ID validation
- Biometric authentication

Accessibility:

- Online connection with pension funds
- Notifications
- Balance

Savings incentives:

- App "Millas para el retiro": Save for retirement while spending

Online voluntary savings:

- Connected to banks

Information:

- Account balance
- Pension calculators

Results and remaining challenges

Results:

- 0 Frauds
- 1 unauthorized switch in 20 months
- 7 million of biometrics
- 12 million of digital files
- 80% more voluntary savings in 2017

Challenges:

- Adapt regulation to new FinTechs
- Strengthen SupTech
- Use SupTech to conduct inspection's visits
- Bring the pension system even closer to members

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THANK you!

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