

LatAm Fintech Platforms Transform Investing for the Future

Despite the rise of the middle class in Latin America, many consumers live outside the financial system. It's hard for them to pay bills, cash checks, send money to loved ones, obtain credit and invest for the future. In addition, complying with local laws, regulations and tax statutes makes it challenging for merchants to accept payments from consumers. During February 2022, Nasdaq hosted a [Trade Talks Spotlight on Latin America](#) featuring leading startups that are boosting prosperity by offering wider access to ecommerce, payment services and investments in the region.

[Mercado Libre](#) is among the largest ecommerce and fintech players in Latin America. The company was founded in Argentina, but it now operates in 18 countries and serves around 82.2 million people.¹ It offers payment processing and full digital banking services including debit and credit cards as well as investment alternatives including cryptocurrency trading.

Andre Chaves, Senior Vice President of Strategy, Corporate Development and Investor Relations at Mercado Libre explained that the company's goal is to link ecommerce and financial services.

"Historically those two avenues have been dealt [with] by different companies that barely overlapped," he says. "Being an integrated ecosystem, we can have the opportunity to create connectors between the two worlds and think about solutions that are quite unique because we do understand consumption and financial needs at the same time."

Founded in 2016, DLocal is one of the first unicorns to come out of Uruguay. Its mission is to enable global merchants to connect seamlessly through a single API and contract with billions of users. The company operates in about 29 countries and accepts around 600 local payment types across Latin America, Africa and Asia.²

DLocal COO Sumita Pandit believes the company is just scratching the surface. The company is growing quickly and profitably, and there's a huge opportunity to build a financial infrastructure platform that is connecting emerging markets to the developed world.

"In two years' time, we would have succeeded if we've been able to connect all users in multiple emerging markets with our merchants," said Pandit. "We will do that country by country, payment method by payment method in a way where it should be as easy to make a payment sitting in Nigeria or Egypt or India or Bangladesh as it is to make a payment in Uruguay and Manhattan."

In addition to seeking wider access to ecommerce and payments, consumers are also searching for diversified investment opportunities. Latin Americans are savers, but just a small percentage of the population currently invests in equities. Historically, barriers to access including high investment minimums and brokerage fees have automatically excluded a huge pool of potential investors. Instead, they typically park funds in low-interest or zero-interest deposit accounts that ultimately get eaten away by inflation. The Trade Talks Series showcased companies that are bolstering the infrastructure to reach make it easier for retail investors them to access the markets.

1 See <https://investor.mercadolibre.com/#:~:text=About%20Mercado%20Libre&text=We%20are%20present%20in%2018,countries%20where%20we%20are%20present> and <https://www.yahoo.com/now/mercadolibre-inc-reports-fourth-quarter-210100320.html>

2 See <https://investor.dlocal.com/faqs/> and <https://investor.dlocal.com/about-us/#our-products>

According to Miguel Garcia, Co-CEO of Mexico City-based [Infosel](#), before the pandemic only a tiny percentage of Mexico's adult population invested directly in stocks, mutual funds and ETFs, but that number has now increased significantly. Digital platforms from incumbent players co-exist with digitally native startups like Infosel, which offers a customizable tool that delivers market data and other information from national and international markets.

"I think you're going to see these new players taking or trying to take a piece of the market," he said. "I would assume that some of them will have to buy out the new entrants rather than build their own digital offering, so you can expect some consolidation there."

Several innovators are emerging from Colombia, Chile and Peru. Importantly, the main stock exchanges in those countries recently approved regional integration, which opens tremendous opportunities for investors.

Carlos Guayara, Co-Founder & Chief of Staff of Colombian fintech startup Trii, believes that a healthy stock market is key to economic growth. He said that only about very small percentage of Colombia's population of 50.9 million³ invests in stocks, and he hopes to change that. Trii's app allows individuals to open an account with no minimum deposit and invest in Colombian stocks. In the 11 months since it launched, Trii had more than 270,000 downloads and 140,000 users. Normally, [transactions](#) on the platform don't exceed more than 3,000 per day, but on one day in mid-November 2021, over 8,457 transactions were processed. Having met with success in Colombia, Trii has expanded to Peru and is planning to expand to Chile by late spring 2022 and to the rest of Latin America over time.

[Singular](#) specializes in creating efficient investment structures, such as ETFs and Alternative Asset Funds. The company represents large Global Alternatives Asset Managers including Brookfield Asset Management and Oaktree Capital Management – the latter in Chile, Peru and Colombia. It offers a variety of ETFs, including one in Chile that tracks the [Nasdaq-100 Index](#)[®].

Pablo Jaque, a Partner at Singular, commented that Chile's population is about 19 million people, and there are about 25 million mobile devices, which people can use to manage their savings online.⁴ Automated solutions such as low-cost robo-advisors have allowed many independent companies to offer advisory services to the public.

"Only a couple years ago, it was very difficult to set up a robo-advisor company in Chile since there weren't many ETFs available – only the traditional mutual funds with several restrictions," Jaque pointed out. "Today, on the other hand, there are several ETFs in the market. We believe we have played an important role in that."

2021 was a record year for fintechs raising capital in Latin America, and these companies put several billion dollars to work toward expanding financial inclusion. We expect this growth trend to continue, which in turn creates great opportunities for investors in the region's financial future.

3 See https://www.google.com/search?q=population+of+colombia&rlz=1C1UEAD_enUS980US980&oq=population+of+colombia&aqs=chrome..69i57j0i20i263i512j0i10i512l-2j0i512l6.9528j0j4&sourceid=chrome&ie=UTF-8

4 See <https://tradingeconomics.com/chile/population#:~:text=Population%20in%20Chile%20is%20expected,according%20to%20our%20econometric%20models> and <https://www.statista.com/statistics/186104/number-of-mobile-cellular-subscriptions-in-chile-since-2000/>.

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