

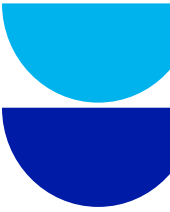


El Salvador Financial Inclusion Journey



2024
AFI GPF
INNOVATION FOR
AN INCLUSIVE WORLD





El Salvador **Financial Inclusion Journey**





2012

El Salvador joins the AFI Network

In 2012, the Central Reserve Bank of El Salvador (BCR¹) joined the Alliance for Financial Inclusion (AFI) network. The AFI is led by central banks and regulatory and supervisory institutions, which have the common goal of increasing financial inclusion globally.

For the Central Reserve Bank, joining this network has meant the opportunity to collaborate closely with regulators, international organizations, and private sector leaders, driving practical solutions and facilitating the implementation of high-

impact policy changes. Additionally, it allows El Salvador to be part of a cooperative model based on peer learning, knowledge exchange, and shared transformation—key elements that contribute to expanding and improving financial inclusion policies.

¹ For its acronym in Spanish





2013

El Salvador adhered to AFI's Declaration of the Maya Commitments

In 2013, El Salvador, through the Central Reserve Bank, joined the commitments of the AFI Maya Declaration, reaffirming its commitment to promote financial inclusion for all Salvadorans.

The purpose of these commitments is to create a new paradigm for international cooperation, as well as to define publicly measurable agreements to increase financial inclusion in the countries that signed them.

In this context, the BCR, recognizing the importance of financial inclusion in empowering and transforming the lives of citizens, especially the poor ones, established its first commitments focused on regulating mobile financial services, promoting financial education, measuring financial inclusion and

conducting studies on inclusive financial products.

In addition to this, El Salvador committed to establishing policies that create a favorable environment for cost-effective access to financial services, using innovative technologies and significantly reducing their cost. Likewise, the importance of a solid and proportional regulatory framework was highlighted, which not only promotes financial inclusion, but also strengthens the stability and integrity of the financial system.



2015

The law to Facilitate Financial Inclusion

By Legislative Decree D. O. N° 160 Volume N° 408 dated on September 3, 2015, the Law to Facilitate Financial Inclusion in El Salvador was approved, with the objective of expanding access to financial services for historically excluded sectors of the population, generating competition in the financial system and reducing costs for users and clients of the referred system.

Among its most important rules are the promotion of Savings Accounts with Simplified Requirements, which allow their use and opening only with the Identification Document, through electronic and/or digital means. Also, the Law promotes the adoption of electronic money, which allows various transactions with mobile money and payments, reducing the need for physical banking infrastructure.

It also establishes user protection mechanisms, such as transparency in the costs and commissions of financial services and promotes financial education for users of the products promoted in the Law. This instrument is one of the great steps taken by El Salvador to improve banking penetration through innovative, simple and easily accessible mechanisms for Salvadorans.



2016

National Surveys on Demand for Financial Inclusion and Education, 2016

In 2016, the Central Reserve Bank, with the AFI's support, conducted the first survey of the "National Survey of Access and Use of Financial Products and Services" and the "National Survey of Financial Capabilities."

This measurement had a national and departmental representativeness and was carried out with the objective of obtaining precise information from users and non-users of the financial system, allowing to know the needs of financial services, as well as to identify the main obstacles pointed out by the population

In this sense, the results were the baseline on which the National Financial Inclusion Policy and the National Financial Education Strategy were designed and formulated. Regarding the main results obtained on the context of financial inclusion in El Salvador in 2016, a limited penetration of financial products was identified, as only 23% had a

savings account and 12% had credit products. Among the main barriers to accessing products and services identified by the population, the following were highlighted: lack of resources, problems in complying with the requirements to acquire financial products and lack of knowledge or financial education for their use.

A lack of control over personal finances in the population and opportunities for improvement in their level of knowledge, behavior and attitudes were also identified, as measured by the Financial Literacy Indicator, which scored 10.3 out of a maximum of 20 points.



2019

Creation of the National Council for Financial Inclusion and Education

Based on the results of the 2016 national surveys on demand for financial inclusion and education, it was possible to identify the need to strengthen actions aimed at increasing access to and use of quality financial products and services for Salvadorans.

To achieve this objective, on October 18, 2019, through an Executive Decree, the President of the Republic of El Salvador, Nayib Bukele, created the National Council for Financial Inclusion and Education (CNIEF).

This organization is made up of 10 government institutions, coordinated by the Central Reserve Bank. Thanks to this high-level coordination, important public policy instruments for the Financial System and the population have been designed and implemented, such as:

- **National Financial Inclusion Policy (2021)**
- **National Financial Education Strategy (2022)**
- **Green Finance Roadmap (2023)**
- **Roadmap for Women's Financial Inclusion (2023)**
- **National Fintech Strategy (2023)**

National Survey on Access to Finance for Micro, Small and Medium Enterprises (MSMEs).

In 2019, the Central Reserve Bank, with AFI's support, conducted the "National Survey on Access to Finance for Micro, Small and Medium Enterprises (MSMEs)", with departmental and national representativeness, with the objective of measuring the level of financing needs, use and the obstacles of the Micro, Small and Medium Enterprise sector. Among the main findings are:

- **More educated human resources generate a higher level of innovation, competitiveness and greater awareness of business formality.**
- **The larger the size of the company, the**

more formal it is, and this has an impact on its compliance with the requirements defined by the financial institutions in the traditional credit application.

- **The Banking System generally predominates as a credit grantor for MSMEs, however, other financial intermediaries such as Cooperative Banks and State Banks had their own market niche in MSMEs, and lenders also maintained a presence.**
- **The main obstacles that credit seekers observed for an application as well as for a loan already granted are high interest rates, complicated procedures and the guarantees required.**





PALACIO NACIONAL





2021

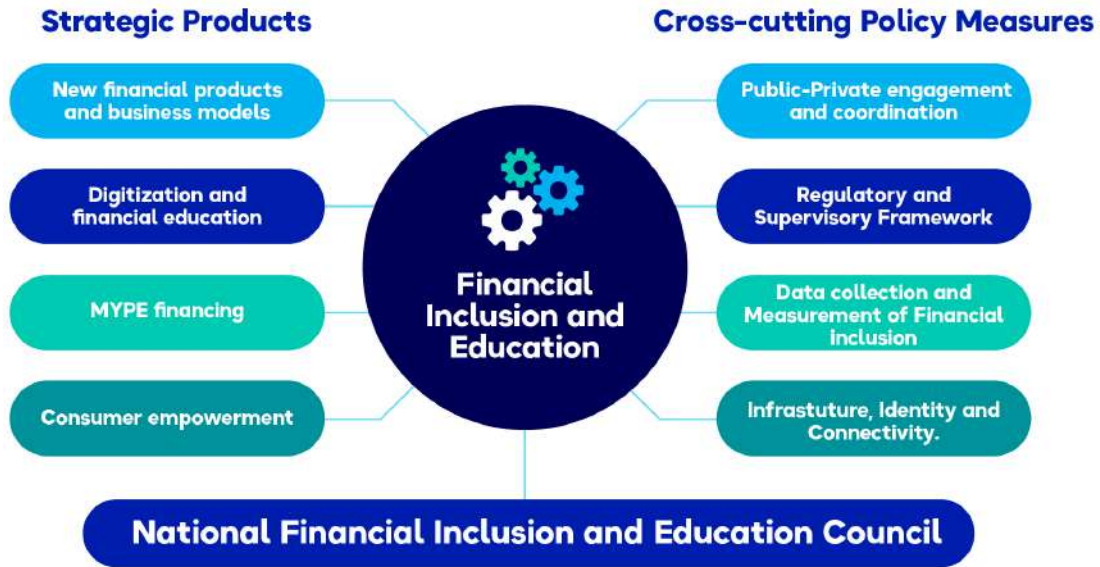
National Financial Inclusion Policy

On March 15, 2021, the National Council for Financial Inclusion and Education officially launched the National Financial Inclusion Policy, approved by the President of the Republic, Nayib Bukele.

For the development of this policy, technical support was provided by international organizations such as the Alliance for Financial Inclusion, the Inter-American Development Bank and the World Bank, and a clear path was established to improve access and use of financial products and services by Salvadorans, especially the most vulnerable, on the basis of coordinated work among all actors in the financial system.

The National Financial Inclusion Policy identifies the need to create an enabling environment to ensure equitable access to financial services, with a particular focus on promoting digital financial services. These services, enabled by technological advances, are critical to reach the traditionally excluded or underserved population.

Structure of the National Financial Inclusion Policy



Source: National Financial inclusion Policy of El Salvador, 2021.

Transfer 365

Year of launch of Transfer365



The Central Reserve Bank of El Salvador launched, as of June 2021, Transfer365, one of the most important digital financial services for the benefit of the Salvadoran population, in which they can perform digital financial transactions, such as: interbank fund transfers, payments to suppliers, payroll payments, credit card payments and loans.

Compared to other private systems of this type, Transfer365 allows transactions 24/7, free of charge and immediately; it also has the widest coverage and can be accessed from any digital channel of the participating financial institutions, contributing to greater financial inclusion, consolidating the financial system and stimulate the country's economy.

The number of participants currently participating in Transfer365 reaches 26 institutions in the financial system, making it the country's largest network for funds transfers and interbank payments, with an 84% share of this market. Since its implementation until August 2024, an estimated 46.4 million transactions have been processed, with a total amount of US\$45,373.3 million, and around 95 thousand transactions are processed daily.

As this service is free of charge, it is estimated that to date the Salvadoran population has saved more than 100 million dollars by not paying commissions for transactions.

The Bitcoin Law

In June 2021 the Bitcoin Law was approved in El Salvador, making it the first country in the world to have Bitcoin as legal tender. The implementation of this law had the purpose of generating economic dynamism, employment and promoting financial inclusion. This law acts as a tool for investment, since its integration helps to expand the stock and financial market, contributing significantly to the economic development of El Salvador.

Financial Innovation office's

The Office of Financial Innovation is an initiative of the Central Reserve Bank of El Salvador and the Superintendence of the Financial System, to promote Fintech ventures. These are developed in El Salvador by institutions, individuals subject to financial supervision and regulation, as well as by individuals and entities that are not currently subject to such powers but are owners of companies whose business model represents an innovation in financial matters. The objective is to guide them in understanding and complying with the existing legal and regulatory framework.

The most important projects developed by OIF are as follows:

- **El Salvador Financial Competitiveness and Innovation Survey**
- **Exploratory Analysis of FinTech Activity**
- **Fintech Research**
- **Development and launch of the National Fintech Strategy**
- **Development of potential regulations on topics such as Fintech, Digital Banking and Open Banking.**



2022

National Financial Inclusion and Financial Education Demand Surveys, 2022

Considering the realization of important milestones for financial inclusion and education, the Central Reserve Bank observed the need to update the results of the National Demand Surveys, with the purpose of obtaining an updated picture of the access and use of financial products and services and the financial capabilities of Salvadorans.

In 2022, with the AFI's support, the second survey of the National Surveys of Demand for Financial Inclusion and Education was carried out, allowing the collection of valuable inputs to support the efforts made by the Central Bank in the framework of the implementation of the National Financial Inclusion Policy and the National Strategy for Financial Education. It is important to mention that through this measurement we tried to identify the effects of Covid-19, the

implementation of bitcoin as legal tender, the rise of digital financial products and services, among others.

The results of the survey on access and use of financial products and services showed that the penetration level of savings accounts was 28%, improving 5 percentage points with respect to the 2016 measurement; likewise, it was identified that 40% of adults who own at least one financial product.

On the other hand, the results of the financial capabilities survey reveal important data that were the input for the calculation of the Financial Literacy Indicator for El Salvador, which showed favorable results with respect to the first measurement carried out in 2016, going from 10.3 to 11.7 points; however, gaps still persisted in terms of gender, income level, urban-rural area and age.

Database on financial inclusion and payment systems

The Financial Inclusion and Payment Systems Database was developed with AFI's support and offers a technological solution that facilitates the centralization of information on financial inclusion and payment systems from financial institutions, so that the Central Bank can generate periodic reports and analyze indicators that allow it to make timely decisions related to its role as regulator of the financial system and coordinator of the National Council for Financial Inclusion and Education.

the main indicators obtained are:

- **Payment System Infrastructure.**
- **Geographical location of Branches, ATM's, POS, Correspondents and Service**

Points of Electronic Money Providers.

- **Credit/Debit Card Operations.**
- **Non-cash payment methods, Financial Correspondents, Bitcoin, Payment Methods by Gender.**
- **Detail of Credit and Debit Card Commissions.**
- **Detail of number of accounts by gender.**
- **Detail of Electronic/Digital Transfers Operations.**

National Financial Education Strategy

Considering the importance of reducing the gaps in financial education among Salvadorans, the National Financial Education Strategy of El Salvador (ENEF) was designed as a public policy instrument approved by President Nayib Bukele and launched in October 2022 as a nationwide initiative in which different government organizations agree to work in favor of the financial wellbeing of the population.

The vision of this Strategy is that the Salvadoran population can manage, plan and maximize their resources in a responsible manner with the purpose of empowering them financially and thus, improve their personal and family wellbeing. Its general approach is centered on the person,

Structure of the National Financial Inclusion Policy



Source: National Financial inclusion Policy of El Salvador, 2021.

considering that the entire population has the right to live with financial wellbeing, taking into consideration generational period, ethnicity, gender and territory.

prepared for the financial sector and FinTech entrepreneurs, through which the opinion of the members of the Senior Management of these entities was collected.

Survey on competitiveness and financial innovation

The survey was designed according to Porter's Competitiveness approach, on the five forces that shape the competition of the sector or industry. In addition, it included an exploration of the sector's sensitivities regarding the trend of digitalization and financial innovation in the financial system. The results of this survey were a very valuable input for the design and formulation of the National FinTech Strategy.

In order to learn about the competitiveness of the financial sector and the challenges related to financial innovation, a survey was

Technical Standards for the Submission of Information on Financial Education Programs and Initiatives

The Technical Standards for the Submission of Information on Financial Education Programs or Initiatives (NASF-10) were

approved by the Standards Committee of the Central Reserve Bank of El Salvador in September 2022. These standards establish the conditions and requirements for financial institutions to report to the Central Bank, through an online collection system, on their financial education programs. The submission of information is mandatory for commercial banks, cooperative banks, savings and loan companies, and electronic money providers.

Institutions must submit detailed reports every six months on their programs, including their structure, geographic coverage and methodological evaluation. Additionally, they must inform the target segments, which are disaggregated by sex, age and departments. The information collected allows to know the different initiatives that the financial system entities are developing at a national level and to identify the gaps that still exist in order to formulate appropriate public policies to develop the financial capabilities of Salvadorans.







2023

Green Finance Roadmap

Since the approval of the National Financial Inclusion Policy, the Central Reserve Bank has been involved in issues related to climate change and Inclusive Green Finance.

In September 2023, the CNIEF approved the Green Finance Roadmap, which constitutes a long-term plan in the country that will enhance the mobilization of financial resources towards green initiatives or projects, as well as the development of green financial products and services for the benefit of the population.

The Roadmap for Women's Financial Inclusion was approved by the CNIEF in December 2023. This document highlights the gender gaps in the financial system and the disadvantages faced by women in accessing and using quality financial products and services, derived from socio-cultural elements.

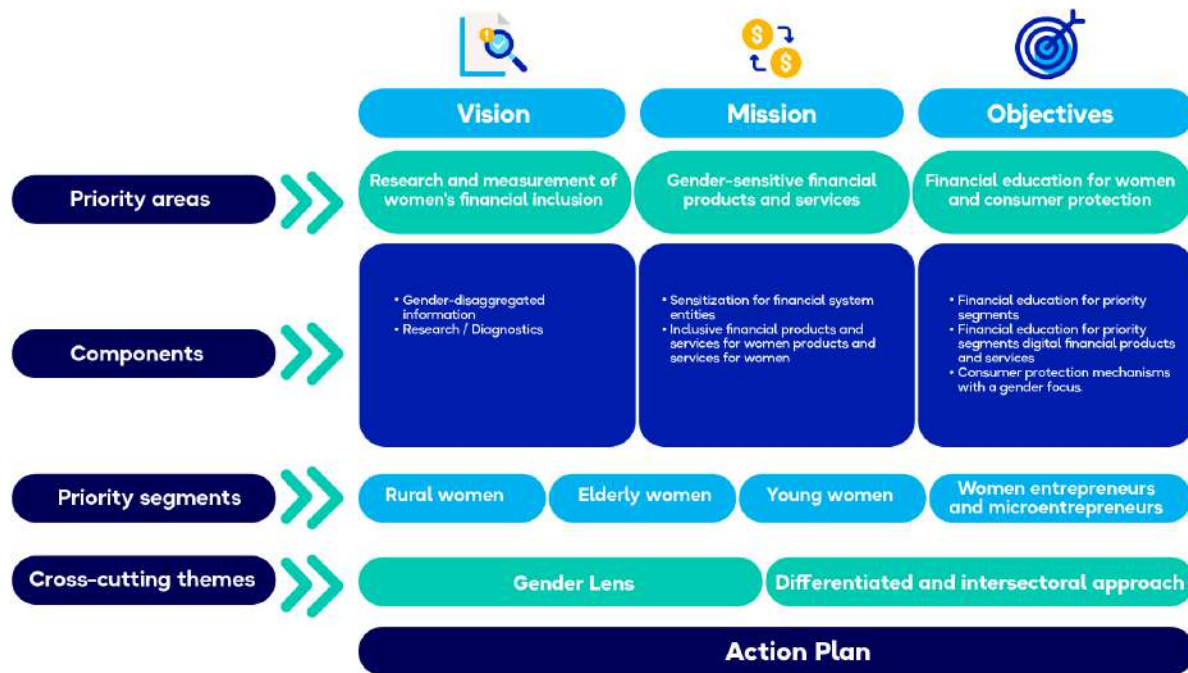


Source: Green Finance Roadmap, 2023.

Road Map for Women's Financial Inclusion

The Roadmap and its Work Plan will be developed in the period 2024-2028, with the objective of generating greater financial inclusion of women through appropriate actions to provide relevant financial education that will allow the development of their financial capabilities.





Source: Roadmap for the Financial Inclusion of Women, 2023.

Launch of the National Fintech Strategy

The National Fintech Strategy was approved by the President of the Republic, Nayib Bukele, and launched on December 4, 2023. It establishes the principle of digital financial inclusion through financial innovation, which proposes the promotion of access to and use of quality, accessible, reliable and secure

digital financial products and services for all segments of the population, mainly those traditionally excluded, through the digital financial transformation of local financial institutions, including state banks and Fintechs.

Elements of the National FinTech Strategy

Vision

To be the leading FinTech-based, innovative, open, stable, reliable, secure and inclusive Digital Financial Ecosystem in Central America.

Mission

To build a balanced, innovative, open and regulated Digital FinTech Financial Ecosystem.
To provide high-quality, accessible, reliable, and secure digital financial services.

Strategic Pillars and Initiatives

- 1**
Regulation
- 2**
Finance and Open Banking
- 3**
Digital Policy
- 4**
Innovation Research Development Education
- 5**
FinTech Public Policy
- 6**
Digital Infrastructure

Objectives

Promoting a Digital Financial Ecosystem supported by a FinTech Innovation System

Principles

Cooperation - Neutrality - Innovation - Privacy - Cybersecurity - Data Protection - Creativity - Talent

Cross-cutting axes

Education - Consumer Protection - Risk Based Proportionality - Money Laundering/Terrorist Financing - Know Your Customer Measures

Public Policy Mechanism

FINTECH INNOVATION SYSTEM

Legal, Regulatory and Normative Framework

Open Finance - Open Banking - FinTech

Source: National Fintech Strategy, 2023





Mi viaje financiero



2024

Financial Education Bus

In May 2024, the Central Reserve Bank launched its first project of the largest financial inclusion and education plan ever launched in the country, unique in the region, "My Financial Journey"

An innovative initiative that takes place in an expandable bus, built with state-of-the-art technology that travels through different areas of the country, visiting educational centers with the objective of having young people learn about the use of digital financial products and services, as well as financial concepts in a practical and fun way. By the end of 2025 we expect to have served more than 50,000 students throughout the country.

Virtual Financial Education Classrooms

The Central Reserve Bank created two online financial education courses for young people and the general public, respectively,

called "From Beginner to Financial Expert". The content of these financial education modules will contribute to strengthen the financial capabilities of the participants, promoting sound financial decision making and making better use of traditional financial products and services, as well as digital financial products and services.

The courses have been developed in the Moodle virtual environment and have seven blocks of content developed through readings, presentations, videos, infographics, podcasts and knowledge tests.

Block 1:

Personal Finance

Block 2:

The Importance of Payment Systems

Block 3:

Financial Innovation

Block 4:

E-commerce

Block 5:

Digital Financial Services and Cybersecurity

Block 6:

Achieve Your Dreams

Block 7

Sustainable Finance

El Salvador 365Pay Digital Wallet

The Central Reserve Bank has continued to make efforts to get more people to be part of the financial system, making a very important investment in technology for the in-house development of the Digital Wallet El Salvador "365Pay". This innovative system is in a gradual implementation process and will allow an expansion of financial services to remote areas of our country, benefiting people who previously had no access to traditional banking services.

The digital wallet allows users to make transactions 24/7, transfer money and receive payments quickly and securely between users and merchants, without commissions, using U.S. dollars as a reference currency.

365Pay is a new service of the payment systems managed by the Central Bank that is integrated with the financial system through our interbank transfer service Transfer365, which allows cash-in and cash-out wallet transactions. The technology behind this wallet ensures high levels of security and fraud protection.

This initiative responds to the growing need to modernize the country's financial system and promote greater inclusion, in addition to facilitating interoperability with other systems and FinTech initiatives.



