

**COLOMBIA
FINANCE**
SPECIAL REPORT

thebusiness|year



01

Introduction

RIGHT INGREDIENTS FOR GROWTH

Colombia's financial services sector is increasingly more about PIN numbers than pesos, as technology broadens participation and lubricates commercial enterprise.

1 Q2019 heralded Colombia's key financial sector reform of the past decade, with the Financial Conglomerates Law, passed by Congress and entering into force on February 6. Accordingly, the Colombian Superintendence of Finance (SFC) now closely supervises the nation's 13 financial conglomerates, of which just five are local, raising the corporate governance threshold. By February 6, 2020, financial holdings must identify the health of all their firms and moreover, set exposure limits and clear steps for dealing with conflicts of interest among constituent institutions. Aval Group, self-titled as Colombia's largest financial group, has four banks, of which Banco de Bogotá is the second-largest bank by assets. It is also the largest company in the Aval Group by assets, deposits, and profits. In 1Q2019, Banco de Bogotá was named "Best Bank in Colombia" for 2019 by Global Finance. Grupo Bancolombia owns Bancolombia, the leading

private bank by equity and assets. Then there's Grupo Empresarial Bolívar, owner of Banco Davivienda, consistently ranked among the nation's top three banks. As of year-end 2018 the top three accounted for 51% of total deposits. Meanwhile, Asobancaria, Colombia's banking association, has taken the government's latest financial services surtax to the constitutional court claiming a breach of equitable taxation. The surtax obliges financial entities to pay additional income tax of 4pp in 2019 and 3pp in 2020 and 2021.

Financial Technology (fintech) dominates the spotlight, with conventional financial institutions getting that FOMO-feeling as startups create digital solutions to boost financial penetration. This fear-of-missing-out inevitably prompts wider fintech adoption and notable venture capital, good news for start-ups. In 2017 Finnovista toted-up 124 active fintech startups in Colombia, with 54% being externally funded. ✖

“ **Manuel Arevalo**
PRESIDENT,
COFACE

“In 2018, we achieved a record year for the company in terms of bringing in new premiums, and we also achieved the highest renewal rate thanks to our focus on clients. The expectations for 2019 are high.”

“ **Luiz Francisco Campos**
PRESIDENT,
LIBERTY

“Technology can play a very important role in our business, in combination with other areas such as data and analytics. Combining technology and data means that you can provide a better service which the end customer may not even perceive since it is so simple.”

“ **Carlos Quiñones**
CEO,
HOWDEN

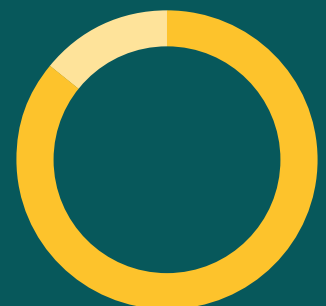
“We’re working through much more comprehensive products and more competitive prices. From there, we will have a specialized team for Colombia in Medellín and Bogotá, which will deploy all their efforts to the most important players in the energy sector. That is a niche that we want to grow. We hope to have the same success we have had in the infrastructure, construction, government and financial sectors.”

PERSON TO WATCH:

Ryan Taylor
CEO,
DASH CORE GROUP

Colombia, despite resistance, has established a new cryptocurrency exchange called Daexs, its largest thus far. The latest story concerns Dash, a cryptocurrency geared towards two key pillars of fintech, e-commerce and payment systems, and now trading on Daexs against the Colombian peso. According to Dash Core Group CEO Ryan Taylor, Daexs listing boosts Dash accessibility ‘throughout Colombia and Latin America.’ The marketing drive is on, as the Daexs offered zero transaction fees for customers signing up between April 3 and May 3 2019. The exchange also collaborates with Blockchain Centre Colombia to foster wider understanding of the technology, its applications and the security it provides to potential, yet hesitant, fintech adopters. Meanwhile, Dash witnessed somewhat of a rally in April, confirming consumer interest was not lost on the authorities. Cue Mauricio Toro, the head of the Congressional Commission for Entrepreneurship, whose draft bill outlines the regulation of Colombia’s cryptocurrency exchanges. Its salient points are the establishing of a “database” of exchanges to be monitored by the Chamber of Commerce. All exchanges are to operate security systems green-lit by the Ministry of Information Technology and Communication. Additionally, they must conform to anti-money laundering and Know-Your-Customer (KYC) standards; not offer users interest on their platforms, and not move customer funds without prior agreement. The market now awaits the congressional treatment.

COMPANY BREAKDOWN



BY ORIGIN
■ 86% International
■ 14% Colombia



BY SUBSEGMENT
■ 57% Insurance
■ 29% Financial services
■ 14% Banking



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