

Financial regulators take Mercado Pago back to earth after its tear through Latin America

Article

The news: Mercado Libre, the Argentinian ecommerce empire, says it will invest billions of dollars into its Brazilian business in 2023. Much of that investment will go to Mercado Pago,

its fintech business, which has been increasing its reach in financial services.

In 2022, Mercado Libre's fintech operations, which include Mercado Pago, accounted for 44.9% of the company's net revenues of \$10.54 billion.

The background: Expansion throughout Latin America in banking and payments, which includes the rollout or growth of savings, investment, and consumer credit products, is core to the company's strategy.

Mercado Libre operates in 18 countries, all of which are in Latin America, and it operates or has immediate plans to operate Mercado Pago in seven of them.

The paperwork: Latin American governments are finding ways to regulate the fintech industry, often by adapting laws that apply to traditional banking. Those actions have tempered Mercado Pago's growth as it complies with each of the seven countries' financial sector rules.

Legal developments:

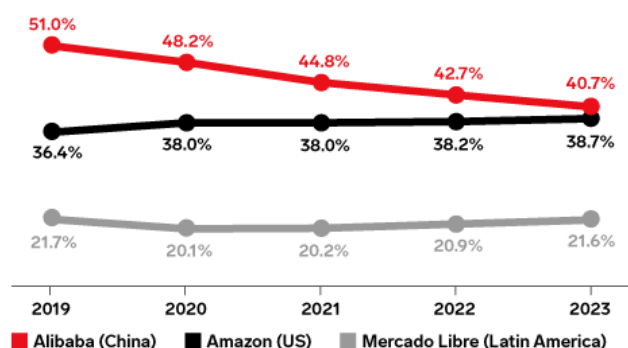
- **Brazil:** Since 2018, Mercado Pago has been supervised by the Central Bank of Brazil. In July, it will face new rules for payment institutions based on their size and complexity.
- **Argentina:** In January 2020, the Central Bank of Argentina enacted rules for companies that are not regulated banks, but provide similar or identical banking and payments services.
- **Chile:** Since 2021, the Chilean Commission for the Financial Market has regulated Mercado Pago as a nonbank issuer of payment cards. In February, a law came into effect governing open banking and certain fintech services.
- **Mexico:** In April 2022, The National Banking and Securities Commission approved Mercado Pago as an Electronic Payment Institution. Since that May, it's been supervised by the Central Bank of Mexico and other regulators.
- **Colombia:** By the end of 2023, the company expects Mercado Pago to be in operation in Colombia. It's waiting on the Financial Superintendence of Colombia to grant it a financial institution license.
- **Uruguay:** In 2016, it obtained a registration from the Central Bank of Uruguay, and launched Mercado Pago there at the end of that year.

- **Peru:** In November 2022, the Central Reserve Bank of Peru enacted rules related to card payment processing. In January 2023, **MercadoPago Peru** was registered as a payment facilitator.

The big takeaway: Mercado Pago is on track to become Latin America's financial super app, initially growing out of the ecommerce platform but gradually coming into its own as a distinct set of products and services. First, however, it must make it through the varied regulatory weeds of its prospective empire.

Alibaba, Amazon and Mercado Libre Market Share by Key Country and Region, 2019-2023

% of total retail ecommerce sales



Source: Insider Intelligence forecasts, June 3, 2022

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