

PROJECT SUMMARY

CYBERSECURITY FOR THE DIGITAL TRANSFORMATION ECOSYSTEM: EQUITY INVESTMENT IN VU SECURITY (RG-Q0055)

The acceleration of the digital transformation process in Latin America and the Caribbean is making people and economic actors (companies, financial institutions, medical organizations, etc.) more vulnerable to cyberattacks. According to the Cisco 2018 Annual Cybersecurity Report, there are almost 20 billion attacks worldwide each day, which highlights the need for effective solutions to confront this serious threat. In 2017 alone, there were over 700 million cyberthreats in Latin America and the Caribbean, or 60% more than in the previous year, and annual losses for businesses as a result of cyberattacks in the region could reach an estimated US\$90 billion. Despite the undeniable importance of digital security, this sector is as yet unable to properly meet rising demand in the region for these types of products and services. According to a study by the Association for Private Capital Investment in Latin America (LAVCA), this sector accounts for less than 1% of the region's startups.

With the goal of reducing the vulnerability of the region's people and economic actors to cyberattacks and allowing them to carry out more secure and less costly digital transactions, IDB Lab will support VU Security, a leading cybersecurity company in the region. Founded by entrepreneur Sebastián Stranieri, VU Security focuses on fraud prevention and identity protection. Based on a business-to-business and, to a lesser extent, business-to-government model, its products combine traditional cybersecurity monitoring methods with geolocation, machine learning, and the analysis of user behavior patterns.

This company is an example of the type of innovation that is nascent in the region: an innovation brand with a clear social and environmental conscience. Generating impact is part of VU Security's mission: notably, the company has been demonstrating its potential to contribute to the financial inclusion of the region's unbanked/underbanked population through solutions that it has been developing for its corporate clients. For example, the application programming interface of VU Security's secure onboarding process makes it possible to verify the identity of unbanked users so they can carry out transactions related to opening accounts or accessing credit by simply sending an identity card photo and a selfie through WhatsApp, protecting user information and complying with personal data law requirements.

The final beneficiaries will be economic actors that generate, collect, process, exchange, and store electronic data on computers, mobile phones, and other devices connected to networks and the internet, including companies (financial institutions, medical organizations, educational organizations, SMEs, etc.), government entities, and the individuals who use their services. People who are excluded from basic services (such as financial services) will especially benefit, as the use of smart phones and digital technology will improve access to these services, reduce their costs, and improve their reach and quality. For IDB Lab, VU Security is an example of how to use innovation for inclusion, with a clear synergy with two out of three focus areas: inclusive cities and the knowledge economy.

Unlike other companies in the sector that only focus on one aspect of cybersecurity, VU Security offers a full array of combined services including fraud analysis, identity recognition, facial recognition, and voice recognition. VU Security currently has more than

90 clients (including banks, governments, and firms) that serve more than 180 million end users in 20 Latin American and Caribbean countries, including Caribbean countries such as Trinidad and Tobago. The company also plans to broaden the sectors that it serves (e.g. health), as well as implement a strategy to reach a client segment that has not been a focus until now: the region's small and medium-sized enterprises (SMEs).

IDB Lab will make an equity investment of US\$1.5 million in the company's series B funding round, which will allow the company to strengthen and consolidate its business model from a commercial, financial, technological, and impact perspective.