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FEATURED Q&A

What New Cyber Threats Are Facing the Region's Banks?



Last year in Brazil alone, cybercrime costs reached an estimated \$8 billion, with Mexico following at \$3 billion, Melissa Diaz writes below. // Image: CyberHades via Creative Commons.

Q Latin America is likely to see an increase in cybersecurity threats over the coming year, executives of Kaspersky Lab said Aug. 30 at a conference in Mexico. Criminals are moving away from just stealing information like credit card numbers and are moving toward infecting computers and seeking ransom payments, according to the software security firm. How well protected are Latin America's banks from cybercriminals? Do laws and regulations in the region provide enough protection for consumers who use online platforms for financial transactions? What are the biggest emerging cyberthreats to Latin America's financial services industry?

A Melissa Diaz, attorney at Diaz Reus in Miami: "Latin America, with its burgeoning consumer and internet-oriented economy, has become a hub for cybersecurity attacks. Last year, in Brazil alone, cybercrime costs reached an estimated \$8 billion, with Mexico following Brazil at \$3 billion in costs. The financial services industry can expect an increase in cybercrime in the forms of ransomware and malicious insiders. Ransomware infects a system and causes a firm to lose access to its data unless and until the firm pays a ransom. Malicious insiders are people within a firm that have valid credentials, but look to do harm by stealing data. Currently, many Latin American countries are in the early stages of developing cyber emergency response teams and computer security incident response teams to react to such attacks, but are lacking in development of forward-looking defense mechanisms that can aid in the prevention of cyberattacks. This lack of preventative programs, coupled with an absence of public awareness about the po-

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Jamaica's central bank is in talks with U.K.-based bitcoin firm Caricoin over permits that would allow it to become the first official virtual currency operator on the island.

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Prudential Buys Itaú Life Insurance Unit in Brazil

Prior to the announcement with Itaú this week, Prudential do Brasil executive Marcelo Mancini Peixoto said this month that insurance premiums rose nearly 38 percent in the first half of 2016, compared to the same period last year, reaching 304,000 life policies.

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Mancini Peixoto // File Photo: Prudential do Brasil.

FINANCIAL SERVICES NEWS

Prudential Buys Life Insurance Unit From Brazil's Itaú

The Brazilian life insurance arm of New York-based Prudential Financial said Sept. 19 that it has signed a purchase agreement to buy the group life insurance operations of Brazilian banking giant Itaú Unibanco. The Itaú unit had approximately 465 million reais (\$142 million) in net premiums written in 2015 and approximately 1.9 million individuals covered by group life contracts, according to a statement on Prudential do Brasil Seguros de Vida's Web site, which did not cite the sale price. In a regulatory filing, Itaú said it expects the sale of the unit, which operates mostly through brokers, to have no relevant impact on its 2016 results, Reuters reported. With regulatory approval, which is subject to agreed-upon closing conditions, the transaction is expected to be finalized by the first half of 2017. After closing, Itaú will provide customer support for the transition period for about a year to avoid interruptions in service. Prudential, which before the deal said it was Brazil's second-largest life insurer based on premiums written, plans to operate the acquired business as a standalone company. In an earnings release posted on Sept. 11, Prudential do Brasil said its insurance premiums rose nearly 38 percent in the first half of 2016, compared to the same period last year, reaching 616 million reais. "We have reached 304,000 individual life insurance policies at the end of the first half of this year," Prudential executive Marcelo Mancini Peixoto said in a statement.

Jamaican Regulators Considering Caricoïn Service Request

Jamaica's central bank is in talks with U.K.-based bitcoin firm Caricoïn over potentially allowing it to become the first official virtual

currency operator on the island, the Jamaica Gleaner reported Sept. 18. "We have had some exploratory discussions with them, talking about the regulatory framework and the process that would have to be engaged in order for them to secure approval so they can offer the service," said Livingston Morrison, the central bank's deputy governor in charge of technology as well as the payments system. Any approval is likely to come within the framework of the country's existing mobile-money ecosystem, according to the report. Asked whether Bank



Morrison // File Photo: Bank of Jamaica.

of Jamaica has the capacity to regulate the operations of virtual currencies, Morrison said the central bank has adopted the stance that virtual currencies fall within Jamaica's Payment Clearing and Settlement Act "and as a consequence they require authorization." While some virtual currencies are likely already being used on the island, Caricoïn said it wants to work with the government to ensure it is able to expand its business. "We realize that there is a great need in Jamaica specifically for something that can cater to the unbanked and that open up e-commerce to the average small business," Caricoïn representative Karsten Becker told the Gleaner.

Swift Introduces New Voluntary Fraud Detection Service

In the wake of hacking attacks in Ecuador and other emerging market countries, cross-border financial messaging service Swift is rolling out an anomaly detector to help banks monitor for fraud, The Wall Street Journal reported Sept. 20. The association said it was developing cus-

NEWS BRIEFS

Brazil Bank Worker Strike Drags Into Second Week

Some 65 percent of workers in Brazil's banking sector continued their strike for the second week as the Advisor went to press, Telesur reported. Workers were offered a 6.5 percent and then a 7 percent raise, which employees have rejected, noting it would not cover the annual rate of inflation, estimated to be 9.6 percent at the end of August. They are demanding a 15 percent raise instead. A strike by the same union last year stretched 20 days.

Xapo Begins Allowing Bitcoin Buys in Venezuela

Bitcoin wallet provider and merchant Xapo has started selling the digital currency to residents of Venezuela, the Merkle reported Sept. 11. Xapo, based in Palo Alto, Calif., is allowing Bitcoin purchases through its Web site, with a minimum purchase of \$50 worth of the digital currency. Xapo has also been active in Argentina, where Uber drivers are using its services in order to circumvent credit card restrictions put in place by regulators on Uber there, CoinTelegraph reported last month.

Citi Private Bank Hires Garcia-Romero in Miami

Citi Private Bank announced Sept. 6 that Sonia Garcia-Romero has joined the company's Miami office. The former JP Morgan private banker will serve as managing director and investment counselor team leader for the Latin America region, with the exception of Mexico and Brazil. In related news, Jorge Ruiz, a managing director with Citi and global digital acceleration head, has left the bank to launch his own venture, Financial News reported Sept. 12. Ruiz, who joined Citi nearly two decades ago, was also its business development and digital banking head for Latin America until early 2015. Citi was one of the first major lenders to set up a venture fund to invest in tech startups.

tomers alerts displaying a snapshot of a day's activity and any unusual messaging patterns detected by its internal controls. The "daily validation reports" will be available in December under a voluntary registration program for customers. A hallmark of recent hackings has been the perpetrators' ability to conceal their activity. In February, hackers tried to steal nearly \$1 billion from the Bangladesh central bank's account at the Federal Reserve Bank of New York and walked away with \$81 million, according to the report. Swift has also been asking its users to address money laundering. Earlier this year, Swift said that more than 2,000 financial institutions worldwide had signed up for its centralized Know Your Customer registry, through which companies can share information required for KYC compliance. [Editor's note: See related Q&A in the Feb. 24 issue of the Financial Services Advisor.]

Qatar National Bank Plans to Enter Cuba

Dubai-based financial services giant Qatar National Bank plans to open a representative office in Havana, a move that would make it the first Gulf-based bank to enter Cuba, Gulf News reported Sept. 4. Government-controlled QNB has already obtained regulatory approvals needed to open the office, according to the

The new office will make QNB the first Gulf-based bank to enter Cuba.

report. Foreign banks have been reluctant to enter Cuba partly because of the risk of being found in violation of U.S. economic sanctions, which can bring heavy fines. But Washington put new regulations into effect March 15 aimed at making it easier for U.S. banks to process financial transactions involving Cuban entities or Cuban nationals, as well as allowing Cubans to open U.S. bank accounts. However, U.S. policy changes have been incremental and

IN FOCUS

Colombia, U.S. to Jointly Pursue Illegal Sources of Funding to FARC Rebels

By Michael Spak

WASHINGTON—Colombian Attorney General Néstor Humberto Martínez on Sept. 8 announced a deal with the United States to jointly pursue illegal sources of funding to the Revolutionary Armed Forces of Colombia, or FARC, rebels, saying that the country's peace deal does not protect suspects against charges of bribery or financing through illegal operations.

Martínez, speaking on a panel on the Colombian peace agreement at the CAF Conference in Washington co-hosted by the Inter-American Dialogue, said U.S. justice officials had agreed to cooperate in tracking down the sources of such funds, often obtained through drug trafficking or ransom. The attorney general also warned perpetrators, third parties and other paramilitaries that "their days are numbered."

The agreement on a final peace deal between Colombia's government and the FARC could mark an end to more than 50 years of deadly armed conflict between the government and the rebels if citizens vote to approve it in a plebiscite scheduled for Oct. 2. President Juan Manuel Santos, who began the process of peace negotiations four years ago, has said voters should approve the deal despite its drawbacks. But an opposition campaign led by former President Álvaro Uribe likens the deal to appeasement, as it allows FARC leaders who confess their crimes to avoid jail time. If approved, the

agreement would give the FARC congressional representation as a political party.

Colombian Foreign Minister María Ángela Holguín maintained at the discussion that "crimes against humanity will not be subject to amnesty," though she declined to define

that standard. She added that the entire country must now undergo a "transformation" as it moves toward social, economic and political integration.

Martínez also announced that his department will investigate more than 100,000 crimes and

release reports on offenses of which the FARC is accused, including the enlistment of minors, illegal mining, mass killings and pervasive sexual assault. It will file the reports to a peace tribunal provided by the United Nations, which will also assist with the forfeiture of weapons and with guaranteeing security.

The country's post-conflict minister, Rafael Pardo, highlighted several initiatives during Thursday's event, saying the government will spend around \$400 million over 20 years on economic integration and improved security in rebel-controlled areas previously cut off from the official economy.

Pardo spoke about reintegrating the nearly seven million people who have been displaced by the long-running war. He also outlined a plan to invest in and encourage economic development in remote regions.



Martínez // File Photo: Colombian Government.

much will depend on how far the Cuban regime is willing to open and modernize its banking infrastructure, analysts suggest. [Editor's note: See related Q&A in the April 6 issue of the Financial Services Advisor.]

POLITICAL NEWS

Under Fire, Maduro Seeks Support at NAM Summit

The 17th Summit of the Non-Aligned Movement closed Sept. 18 in Venezuela with fiery rhetoric to rally against imperialism at the hands of the United States government. However, fewer heads of state attended the meeting than ever, which critics say cost millions of dollars for Venezuela to host while its citizens lack basic food and medical supplies, the Associated Press reported. While Venezuelan President Nicolas Maduro said that the summit "has been a total success, a victory of Bolivarian diplomacy," TeleSUR reported, other media reports noted that only 12 heads of state had arrived for the two days of meetings taking place on the Caribbean island of Margarita, including



Modi // File Photo: NarendraModi.com

the leaders of Cuba, Iran and Zimbabwe. More than 30 world leaders attended the last summit of the Cold War-era group, founded as an alternative for states to align with either the Soviet Union or United States, that was held in Iran in 2012. This year Narendra Modi became the first Indian Prime Minister to not attend the NAM summit since 1979. Venezuelan opposition leader Henrique Capriles lashed out at Maduro's effort to portray himself as having interna-

ADVISOR Q&A

What Explains the High Number of Tourists Visiting Jamaica?

Q Jamaica's government is hoping that the country's Olympic performance, led by champion sprinter Usain Bolt, provides a bounce for the country's tourism industry, Prime Minister Andrew Holness said Aug. 18 after returning from Rio de Janeiro. The Caribbean country earned \$1.3 billion from tourism in the first six months of the year, a 7.5 percent increase as compared to the first half of last year. What factors are driving Jamaica's tourism sector, and is it likely to see continuing gains? How well is Jamaica's tourism sector faring amid competition from other Caribbean destinations, such as Cuba, the Dominican Republic and Puerto Rico?

A Stephen Vasciannie, former ambassador of Jamaica to the United States: "Tourism arrivals in Jamaica continue to depend largely on exogenous factors. In the first place, with the price of oil hovering at just under \$50 per barrel, airline ticket prices are attractive, especially for North American travelers. Secondly, circumstances in the U.S. economy, including improvements in the rate of employment and in consumer confidence, have prompted increased travel to Jamaica. And, third, the strong value of the American, Canadian and British currencies vis-à-vis the wobbly Jamaican dollar has meant a reduction in costs to tourists in the domestic arena. Endogenous factors have also contributed to the steady flow of visitors. In recent years, Jamaica's hotel stock has increased in both rural and urban areas, partly as a result of Spanish investments; highway developments resulting from French and Chinese efforts have enhanced access between major tourist attractions; and local public officials remain united across

political party lines on the need to promote 'Brand Jamaica.' In this context, Usain Bolt's phenomenal athletic achievements must surely enhance Jamaica's international image and reinvigorate interest in the country. Naturally, Jamaica faces competition within the Caribbean and Central America. But this has always been the case. The challenge, therefore, is to rely on the mystique and appeal of Jamaica to attract visitors in increased numbers, even as we contemplate package deals with friends in Caricom, Cuba and the Dominican Republic. The cultural diversity reflected, for instance, in Hispanic Cuba and Anglophone Jamaica augurs well for coordinated tourism efforts between both countries."

A Yuri Seedial, analyst at First Citizens Investment Services in Port of Spain, Trinidad and Tobago: "Over the past five years, Jamaica's tourism industry has successfully transformed the island's image into one of an 'ideal tourist package' capable of catering to the needs of all visitors. The latest available statistics from the Jamaica Tourist Board points to a year-over-year increase, between January and July, of 2.7 percent and 10.4 percent in tourist arrivals and cruise ship passengers, respectively. Tourism in Jamaica has traditionally been dominated by North American visitors, with U.S. and Canadian tourists making up more than 83 percent of the total in the first seven months of this year..."

EDITOR'S NOTE: More commentary on this topic appears in the Sept. 15 issue of the Latin America Advisor.

NEWS BRIEFS

Criptext Founder Held by Panama Authorities for Money Laundering

The founder and CEO of New York-based secure messaging firm Criptext was questioned on Sept. 19 by Panamanian authorities, La Prensa reported. Prosecutors allege Mayer Mizrachi laundered government funds intended for encryption services. Officials say Mizrachi, who is free on \$100,000 bail but prohibited from leaving Panama, has ties to self-exiled former President Ricardo Martinelli, EFE reported. The 28-year-old entrepreneur also stands accused of bribing his way out of a Colombian prison, Forbes reported.

Mexican Peso Decline Tied to Fears of Trump

Mexico's currency dropped in value to a record 20 pesos to the dollar on Sept. 19, CNN reported, a decline that traders say is at least partially linked to market apprehension over what Republican candidate Donald Trump would do if elected president of the United States in November. "There is a definite correlation... the idea of Donald Trump's wall and everything else is having an impact on Mexico's peso," Ihab Salib, head of international fixed income at Federated Investors, told CNN.

Foreign Direct Investment Down 73 Percent in First Quarter: Bolivia

Bolivia's central bank said Sept. 19 that foreign direct investment had declined by 73 percent in the first quarter of this year as compared to the same period in 2015, La Razón reported. Net FDI over the first three months of this year reached \$73 million, while last year Bolivia received \$272 million of FDI during that period. The central bank said foreign capital reached the South American country primarily through the hydrocarbons sector, followed by trade and electricity.

tional support for his administration's policies. "Millions of dollars of Venezuelans' money spent for the government's ego," Capriles said, UPI reported. "Many of the countries didn't come to the show," he added. As the meeting got underway, Cuban President Raúl Castro warned that Venezuela was being targeted by a U.S. economic war aimed at toppling Maduro. "Venezuela is facing an onslaught ... that is against all of Latin America and the Caribbean, that is trying to re-impose and recolonize the politics, economy, culture and life of our countries," Castro said. Meanwhile, Venezuela's Oil Minister, Eulogio Del Pino, said at the Summit that efforts to build consensus around a higher global price for oil, practically Venezuela's only source of revenue, have begun taking hold, with Maduro telling reporters "we're close to a deal" after meeting with Iran's leader, Hassan Rouhani. The Organization of the Petroleum Exporting Countries, or OPEC, will likely revive talks on freezing oil production levels when it meets non-OPEC nations in Algeria later this month, sources told Reuters.

U.S. Congressional Committee Opposes Loans to Nicaragua

The U.S. House of Representatives Subcommittee on the Western Hemisphere advanced legislation on Sept. 15 to oppose loans to Nicaragua from international financial institutions "unless the Government of Nicaragua is taking effective steps to hold free, fair, and transparent elections...." During a hearing, Republican members of the committee criticized the Obama administration, saying it has failed to take action in response to what it called Nicaraguan President Daniel Ortega's recent consolidation of power. The same day, the subcommittee, which is part of the Foreign Affairs Committee, also approved a resolution that calls on the Venezuelan government to address its humanitarian crisis and hold a recall referendum this year. [Editor's note: See Q&A on Nicaragua in the Aug. 12 issue of the daily Latin America Advisor.]

ECONOMIC NEWS

Brazil Currency Rally May Have Stalled: Analysts

Brazil's impressive currency rally this year, which has seen the real rise 23 percent against the U.S. dollar, may be leveling out, Bloomberg News reported Sept. 18. Brazil's currency has been falling in recent weeks and is now barely hanging on as 2016's top-performing global currency, according to the report. Investors had been betting that the ouster of President Dilma Rousseff would bring new economic policies that would end one of the deepest recessions in the nation's history. But some investors now fear that a fractured Congress and ongoing corruption scandals are restricting President Michel Temer from pushing through reforms and building confidence, according to the report. The real has fallen from more than 4 reais to the dollar in January to less than 3.2 earlier this month. "On the data side nothing has changed, and the new government



Moran // File Photo: ABANA.

will just inherit the challenges of the previous one," Arnaud Masset, an analyst at Swissquote Bank, told Bloomberg. "We've had a mammoth rally this year, with a lot of good news priced in already. Now we turn our attention back to fundamentals and policy," said Mike Moran, head of economic research for the Americas at Standard Chartered. Earlier this month, the Temer Administration announced a new plan to sell 14 airports and two port terminals, as well as offer contracts to private firms for projects ranging from building new roads to running mines, BBC News reported.

FEATURED Q&A / Continued from page 1

tential threats of using online platforms for financial transactions, leaves both financial institutions and consumers vulnerable to cybercrimes. Awareness of the importance of developing cybersecurity strategies is increasing among countries in Latin America. For example, Brazil has developed advanced cyberdefense capabilities and recently established a cyber defense command to help combat the increased cybersecurity threats. Honduras recently adopted the Electronic Commerce Law and has regulations on digital signatures. Similarly, Nicaragua, Costa Rica and Panama have adopted laws for personal data protection and digital signatures. While these steps have increased protections of banks and consumers, there is still much more work to be done.”

A **Jarrett Benavidez, vice president for Central U.S. and Latin America at BeyondTrust:** “Latin American banks continue to be the most progressive adopters of cybersecurity among companies in the region. The strained economic condition of Latin American countries has resulted in reduced technology budgets, but large banks have kept security at the forefront of their strategic planning. This partially results from national cybersecurity initiatives and legislation, which now exist across most of the region. Nevertheless, the relative investment in cybersecurity in Latin America as compared to other global regions is insufficient, and consumers are being left exposed to both traditional and new threats. Moreover, the ineffectiveness of perimeter protection approaches is further complicated by companies’ increased adoption of mobile and cloud technologies. These technologies have improved the customer experience, yet have expanded the potential cyberattack surface, leaving businesses even more vulnerable to hackers who were already accessing their internal networks. Financial services companies and all businesses need to implement new cybersecurity strategies

that consider the changes they have made to how they deliver products and services to their customers, as well as where their old strategies have fallen short.”

A **Danilo Ochoa, Solution Sales Director for eBanking and eCommerce, Gemalto Latin America:** “Latin America is one of the world’s biggest mobile markets, and smartphone penetration may reach 57 percent by 2019, according to eMarketer. While this enables the creation of new and innovative solutions, mobile applications delivering financial services have become

“**Malware focused on mobile banking applications is being used to perform fraudulent transactions...**”

— Danilo Ochoa

more popular and attract the attention of criminals. Cyberattacks are getting more sophisticated, and malware focused on mobile banking applications is being used to steal user credentials and perform fraudulent transactions. With a focus on user protection, the latest regulations are pushing for strong authentication and transaction signing. The adoption of these security requirements should not diminish user experience or influence service usability. Banks face a challenge in finding the right balance between security implementation and the security perceived by the user, bringing convenience with silent authentication and reliability with strong authentication and transaction signing when needed.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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