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FEATURED Q&A

Does Jamaica Need Stronger Consumer Protection Laws?



Jamaican Finance Minister Audley Shaw said a new agency aims to protect customers of financial services providers. // File Photo: Jamaican Government.

Q Jamaica's government is planning to create a new financial services consumer protection agency. Finance Minister Audley Shaw said the government is particularly concerned about high fees on dormant bank accounts. How should the agency operate in order to both protect consumers and help financial services providers thrive? Does the country need new regulations in order to protect consumers in the financial sector? What should the government do to ensure new regulations are not burdensome for financial services companies or have unintended consequences?

A Sally Yearwood, executive director of Caribbean-Central American Action: "In banking, the threat of unintended consequences has significance along the value chain, but recently has been most closely linked to the correspondent banking crisis and the de-risking process that has seen international banks severing relationships with Caribbean partners. As the region, including Jamaica, works to counter this macro-level threat head-on, there are equally challenging problems at the micro-level, where transaction costs, a lack of transparency, a lack of trust, and low financial literacy can create barriers that effectively eliminate, or stack the deck against, full financial inclusion. The announcement by Minister Shaw of the creation of a financial services consumer protection agency in Jamaica reflected growing concern about escalating fees in the banking sector. Such an agency should, at its core, empower consumers and financial services providers to thrive in a regulated and fair market. It is also worth noting that this agency could reinforce the recommendations of the Economic Growth

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TOP NEWS

BANKING

Brazil's Caixa Sees Jump in Fourth Quarter Profit

Caixa had a recurring net income of 2.45 billion reais, or \$783 million, last quarter, up three-fold from the previous quarter and the highest level in at least a year.

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REMITTANCES

Mexican Workers Send Less Money Home in February

Remittances fell 1.4 percent in February compared to the year before, after a gain of 6.3 percent in January and a 12.4 percent expansion in the fourth quarter of 2016.

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INSURANCE

Generali Seeking to Exit Colombia, Ecuador, Panama

Led by chief executive Philippe Donnet, Italy's biggest insurer, hopes to raise more than \$1 billion by leaving 13 to 15 countries in markets where it lacks scale or cost efficiencies. The company plans to continue investing in larger Latin America markets.

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Donnet // File Photo: Generali.

BANKING NEWS

Brazil's Caixa Posts Jump in Q4 Profit

State-run Caixa Econômica Federal, Brazil's largest mortgage lender, on March 28 said it had a drastic increase in profit during the fourth quarter, due to a decline in loan-loss provisions amid fewer delinquencies, Reuters reported. Caixa had recurring net income of 2.449 billion reais, or \$783.4 million last quarter, up three-fold from the previous quarter and the highest level in at least a year. Caixa in a statement cited an increase in revenue from financial services, known as fee income, as well as a drop in provisions, which had been triggered by a decrease in the 90-day default ratio to 2.9 percent from 3.5 percent. Provisions fell by 3.3 percent to 4.937 billion reais last quarter through December. Until last year, delinquencies at Caixa were below the average for Brazil's banking industry, as more than 60 percent of its loans were set aside for secured, collateralized mortgage lending. Last year, loan defaults reached an all-time high in some segments for Caixa. Income from interest fell by 1 percent in the third quarter, and fee income increased by 5.5 percent during the same period, according to a statement from the lender.

REMITTANCES NEWS

Mexican Workers Send Less Money Home in February

The amount of money Mexican workers sent home from abroad fell sharply in February following several months of strong gains, Banco de México said in data released April 3. Remittances fell 1.4 percent in February compared to the year before, after a gain of 6.3 percent in January and a 12.4 percent expansion in the fourth quarter of 2016 as compared to the year before. However, due to currency exchange factors, recipients of remittances received more

money in local currency terms than a year ago, analysts noted. "We expect workers' remittances to perform well going forward, with growth in dollar terms stabilizing at around 3 to 5 percent, year over year," Latin America analyst Alberto Ramos at Goldman Sachs told clients in a research note. Overall, remittances grew 2.3 percent during the January to February period, "a solid 17.1 percent increase in local currency" terms, Ramos added. Last year, Mexico received \$27 billion in remittances, a record high and far more than what the country got from its oil exports at \$18.7 billion. The vast majority of remittances originate in the United States, where the administration of Donald J.



Rogers // File Photo: Office of Rep. Mike Rogers.

Trump and several states have called for placing a tax on remittances to support improved southwest border security and other purposes. A group of Republicans in the U.S. House of Representatives on March 30 introduced the first major bill to fund President Trump's wall on Mexico's border, the Washington Times reported. The measure would impose a 2 percent fee on all the money Mexicans and other immigrants send back home. "This bill is simple—anyone who sends their money to countries that benefit from our porous borders and illegal immigration should be responsible for providing some of the funds needed to complete the wall," Rep. Mike Rogers (R-Ala.) said in a statement. "This bill keeps money in the American economy, and most importantly, it creates a funding stream to build the wall." Rep. Rogers and Rep. Lou Barletta (R-Pa.) are leading the effort. Executives in the money transfer industry have expressed concern about unintended consequences stemming from the policy, should it be enacted. [Editor's note: See related [Q&A](#) in the March 8 issue of the Financial Services Advisor.]

NEWS BRIEFS

Hundreds of Thousands of Chileans Protest Against Pension System

Hundreds of thousands of Chileans took to the streets in several cities on March 26 in protest, calling for an end to the private pension system imposed in 1981 under the Augusto Pinochet dictatorship, EFE-EPA reported. More than 350,000 people marched in Santiago alone, according to the No Más AFP, or No+AFP, Coordinator, which organized the protests. The current pension system requires workers to deposit 10 percent of their salaries into the fund, which is then invested in capital markets.

Mexico's Banorte Sells Its Stake in Texas Subsidiary

Mexico's Grupo Financiero Banorte on March 31 sold its U.S. subsidiary, Texas-based Inter National Bank, to family members that founded the bank 30 years ago, El Economista reported. "The Collins Family has brought ownership of Inter National Bank back to the Valley," the bank said in a statement on its Web site, referring to the southern tip of Texas in the Rio Grande Valley. The family, which helped establish the bank in McAllen in 1985, did not disclose financial details. Banorte acquired the asset in 2006.

Itaú Plans to Launch in Colombia by May

Itaú Unibanco, Brazil's largest private bank, will launch operations in Colombia in May, La República reported March 23. Itaú merged with Chile's CorpBanca last year, giving it a foothold in Chile and other key expansion markets in South America. Starting next year, the bank will operate in Colombia only under the Itaú brand, according to the report, with a focus on existing wholesale banking services initially and then expanding into retail banking. Itaú will inherit more than 500,000 banking clients in Colombia as a result of the merger.

GraceKennedy Enters Jamaican Micro-lending

Jamaican remittances company GraceKennedy Money Services, or GKMS, is expanding into the micro-lending market, the Jamaica Gleaner reported April 3. With a green light from the Ministry of Finance, GKMS will offer small loans to entrepreneurs at up to 52 percent interest per annum. "This is part of the vision we have at Grace where we want to be an integrated financial services company, that is to say our insurance company, our bank and our money services," GraceKennedy Group CEO Don Wehby told the newspaper. Plans also include rolling out new micro-insurance products. "We have about seven micro-insurance products, with one of the most exciting ones coming, being that our remittance customers can buy micro-insurance to protect their remittances," executive Grace Burnett said. The product will be offered at all Western Union outlets.

INSURANCE NEWS

Generali Seeking to Exit Colombia, Ecuador, Panama

Generali, Italy's biggest insurer, has hired advisory bank Rothschild to help it exit businesses in Colombia, Ecuador and Panama, Reuters reported March 22. The company hopes to raise more than \$1 billion by leaving 13 to 15 countries in markets where it lacks scale or cost efficiencies, according to the report. Generali will continue investing in core Latin American markets such as Brazil and Argentina, sources told Reuters. Local players are expected to submit offers for the three units, which are being sold in separate auctions. Generali was cited in media reports in January as a potential bidder for a majority stake in Grupo BTG Pactual's local Brazilian insurance company, Pan Seguros.

PAYMENTS NEWS

Emergent Payments Raises Funds for Latam Expansion

Palo Alto, Calif.-based Emergent Payments, Inc., a payments services provider, said March 28 it had closed over \$5 million in equity funding from existing investors and Responsible Gold Holdings. The company plans to use the

funds to focus on "complex emerging markets" in Latin America, Asia, India and Eastern Europe. "Countries like India, Brazil, Malaysia and China are complex because of the range of local methods, regulations, tax, remittance and optimization," company CEO Mitch Davis said in a statement. In related news, Waltham, Mass.-based BlueSnap said March 21 it had expanded its local payment processing capabilities to help merchants transact more in Latin America, where the cost to sell locally can be prohibitive, with up to 30 percent of a sales going to processing fees and taxes, the company

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Council, a public-private consultative group that reports directly to the prime minister, and which has improving access to finance as a core principal for expanding economic opportunity. A roadmap of sorts already exists that provides the building blocks for the Agency. In April 2015, the World Bank Group produced a Technical Note on 'Jamaica Consumer Protection and Financial Literacy', which lays out the best practices and recommendations for adopting mechanisms to achieve the government's stated objectives. Ultimately, by reducing consumer exposure to predatory practices, and by entering new consumers into the banking system, there is an opportunity for economic growth that benefits all stakeholders."

A Christopher Simpson, partner at O'Neal Webster in the British Virgin Islands: "It is important that a balance be struck between the providers of financial services and the consumers of those services. Of course, regulations are necessary and important to protect consumers, but they cannot be so burdensome that service providers are not able to effectively compete, innovate, make profits and create employment opportunities, all while passing on benefits to consumers in the process. There are clearly some areas that need to be addressed, including the dormant accounts situation. Some banks have already reduced or rolled back their fees on

dormant accounts, which suggests that with input from a protection agency or similar body, consumers can benefit. Financial services providers should be encouraged to identify new solutions to generate income and, at the same time, maintain or grow their general consumer base. Any new regulations should therefore not simply limit the manner in which financial services providers current-

“Some banks have already reduced or rolled back their fees on dormant accounts.”

— Christopher Simpson

ly operate, but should also put in place avenues for substantive industry growth. These might include allowing new and unique areas of operation, where appropriate, while embracing modern technology. The primary aim of the agency should be to prevent business practices that are anti-competitive, deceptive or unfair to consumers, while enhancing public understanding of the nature of competitive business without undue burden to the business environment. The British Virgin Islands is well known for its offshore financial services industry, and over the years it has been able to develop varying

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said in a statement. "Local payment processing is essential for merchants to achieve the best payment conversions, no matter where they are trying to sell," said Ralph Dangelmaier, the CEO of BlueSnap.

POLITICAL NEWS

Opposition Rejects Moreno's Presidential Victory in Ecuador

Ecuadorean opposition leader Guillermo Lasso has rallied supporters outside the country's electoral council headquarters to protest perceived fraud the Andean nation's April 2 presidential runoff election, CNN reported. Despite phone calls from Latin American governments congratulating ruling party candidate Lenín Moreno on his victory, Lasso vowed to keep up the fight against the installation of an "illegitimate" government. "We're not afraid of the miserable cowards who are on the wrong side of history," he told a crowd of a few thousand supporters. With 99.4 percent of the votes counted, Moreno continues to hold the lead, with 51.17 percent support compared to 48.83 percent for Lasso, El Comercio reported. The president of the National Electoral Council, Juan Pablo Pozo, told reporters that the op-



Moreno // Photo: Micaela Ayala/Andes.

position party can object and lodge an appeal of the results, a process that could take up to 15 days. The scales appear tipped in Moreno's favor, however. Through a message on Twitter, the Secretary General of the Organization of American States, Luis Almagro, congratulated Moreno. Right-of-center presidents in Argentina and Peru also congratulated Moreno, joining

allies Venezuela and Bolivia, who were quick to affirm the leftist's victory the same day of the election. Meanwhile, Wall Street took a cautious view of the election results. "As the dust settles, this is not the ideal starting point for a new government that faces a challenging macroeconomic adjustment," JP Morgan analyst Katherine Marney said in a research note the day after the election. "We remain of the view that Moreno will have the onerous task of grappling with a painful and incomplete deflationary adjustment and economic recession, a badly needed fiscal adjustment, a galloping and costly external debt burden and limited maneuverability." [Editor's note: See related [Q&A](#) in the April 4 issue of the daily Advisor.]

Lower House in Paraguay Delays Controversial Vote

The head of Paraguay's lower house of Congress, Hugo Velázquez, told reporters on April 3 that a vote on a measure that would allow President Horacio Cartes to run for re-election next year would be delayed, the Associated Press reported. Meanwhile, opposition leaders said they were boycotting talks with officials backing the constitutional amendment. Thousands of protesters gathered outside Paraguay's Congress April 3 in a new but peaceful demonstration against a secret Senate vote for the amendment that took place on March 31, Reuters reported. News of the vote led to the ransacking and burning of the Senate building and death of an opposition youth party leader at the hands of police. Paraguay's Congress remained closed and guarded by armed police as investigators gathered evidence surrounding the violence, ABC Color reported. President Horacio Cartes on April 1 fired his interior minister and chief of police and appealed for calm. Protests erupted over news of a secret Senate vote that would enable Cartes to run for office again in 2018, something the constitution has barred since 1992 in the wake of a 35-year dictatorship. Small groups of protesters were collecting signatures demanding the withdrawal the proposed amendment. Cartes, a

wealthy businessman who leads the conservative Colorado Party, offered his "most sincere condolences" to the family of Rodrigo Quintana, 25, the leader of the opposition Liberal Party's youth branch who was reportedly shot in the back by police with live ammunition as they raided party offices following the riots on Congress, adding that "the perpetrators of this horrendous episode will face justice and pay for their actions," the Guardian reported. About 30 people were injured in the raid, including three lawmakers, while police said 211 people, some of them minors, were arrested over the weekend, according to Agence France-Presse.

Venezuela Court Reverses Decision to Dissolve Congress

Opposition leaders in Venezuela's National Assembly said April 2 they will begin the process of removing judges from the polarized nation's Supreme Court and urged supporters to take to the streets to back the move, El Universal reported. National Assembly first vice president Freddy Guevara told supporters that the Constitutional Chamber of the Supreme Court of Justice, or TSJ, had broken the law in dissolving the already weakened Assembly. "These judges that gave a coup d'etat cannot go unpunished," said Guevara. Even the country's attorney general, Luisa Ortega, a longtime government ally, had broken ranks and declared the decision a "breach of constitutional order" in a rare public rebuke, Reuters reported. Under pressure and at the request of President Nicolás Maduro's government, the Supreme Court eliminated the most contentious part of its ruling, but not before international condemnation further eroded Maduro's shaky standing as the leader of a democracy. Despite the TSJ's reversal, "the rupture of the constitutional order continues," opposition lawmaker Juan Matheus told supporters. In practical terms, the threat to remove judges is unlikely to come to pass, analysts say. However, the threat of street violence continues to mount. Riot police firing tear gas faced down small street protests over the court rulings in Caracas and other cities.

NEWS BRIEFS

Mudslides in Colombia Kill 254 People

Colombian President Juan Manuel Santos said April 2 there are no more people officially missing after mudslides killed at least 254 over the weekend in Putumayo province, CNN reported. More than five inches of rain caused three rivers surrounding the southern city of Mocoa to overflow and bury the town of 25,000 inhabitants in mud and debris. Santos said 170 victims had been identified thus far, with 43 children among the dead with 22 more hospitalized. A further 203 people were injured, many severely.

Brazil's Former House Speaker Cunha Sentenced to 15 Years for Graft

Eduardo Cunha, the former speaker of Brazil's lower house of Congress, on March 30 was sentenced to 15 years in prison after being convicted of charges of corruption in connection with the massive graft case at state-run oil company Petrobras, The New York Times reported. Cunha, who led the push last year to impeach then-President Dilma Rousseff, is the highest-profile politician yet to be sentenced in the sprawling case.

Japan Leads Investment in \$317 Million IDB Fund

Japan and a group of Latin American and Caribbean countries will lead a \$317 million capital replenishment of the Inter-American Development Bank's Multilateral Investment Fund, or MIF. Latin American and Caribbean countries will provide \$166.8 million to the MIF, with Japan donating \$85 million, and the balance provided by Spain, Canada, China, and five other European countries. Israel is also becoming a donor to the MIF, which historically had received most of its funding from the United States aimed at poverty reduction, the IDB said in a statement April 2.

ECONOMIC NEWS

White House Backs Away From Draft Proposal on NAFTA

The White House on March 30 said that a draft letter sent to some members of Congress indicating that U.S. President Donald Trump was softening his stance on the renegotiation of NAFTA in fact did not reflect the president's goals for the agreement, Bloomberg News reported. "That is not a statement of administration policy," White House press secretary Sean Spicer told reporters. "That is not an accurate statement of where we are at this time." During his campaign, Trump had called the North American Free Trade Agreement a "disaster." The letter, written by acting U.S. Trade Representative Stephen Vaughn, said the administration would leave in place certain controversial aspects of NAFTA, including an arbitration panel that would let investors bypass the court system when dealing with issues under the

“That is not an accurate statement of where we are at this time.”

— Sean Spicer

pact. Commerce Secretary Wilbur Ross also downplayed the perceived shift in tone coming from the draft, saying there had been "no change in our thinking" regarding the agreement. "This letter simply describes in a very broad outline the topics we'll discuss," Ross said. "So I don't think there's any great reasons for you to over think it." In related news, Trump has initiated a review of the causes of the United States' trade deficits with some of its largest trading partners, as well as order stricter enforcement of anti-dumping laws, with the goal of preventing foreign firms from undermining U.S. manufacturers by selling goods to the United States at an unfair price.

Mexican Central Bank Hikes Key Interest Rate

Mexico's central bank on March 30 raised its benchmark interest rate by a quarter point to 6.5 percent in a bid to mitigate rising inflation, the Associated Press reported. Mexico recorded a 5.29 percent annual inflation rate during the first half of this month, but the Bank of Mexico's inflation rate goal is 3 percent. The peso in recent months has strengthened against the U.S. dollar, to around 18 pesos to the dollar in March, up from 22 pesos to \$1 in January. Business confidence in Mexico's manufacturing sector recorded a broad-based rebound in March but remains in "pessimism territory," Goldman Sachs said April 3. Up to March, business confidence in the manufacturing sector declined in nine of the previous ten months. Sentiment for the future is now tracking at slightly above the December levels, but still below the levels seen a year ago, in part due to less risk over a trade spat with the United States, according to the report.

El Salvador's Assembly Bans All Metals Mining

El Salvador's Legislative Assembly on March 29 overwhelmingly voted to ban all mining for gold and other metals, saying the country's environment could not sustain metal mining operations, The New York Times reported. El Salvador is the first country in the world to have a nationwide ban on metal mining, according to environmental activists. The decision followed a long-running dispute with Pac Rim Cayman, a unit of Canadian-Australian mining company OceanaGold, the Financial Times reported. Activists believe the company's El Dorado project ran the risk of contaminating water supplies in El Salvador. However, the new law does not apply to quarrying or mining of coal, salt or other nonmetallic substances, which can also pollute water supplies.

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levels of regulations for different financial services products to meet the needs of clients, with one notable area being investment funds. It is therefore important for Jamaica, in its implementation of the new agency, to consider and adopt a framework that will be sufficient to protect consumers but will allow the financial services industry to thrive, bearing in mind that, globally, the industry is already facing increased regulations.”

A **Anthony Wilson, chief editor, business at Guardian Media Ltd. in Trinidad & Tobago:**

“Throughout the Caribbean, there is a great deal of concern about rising bank commercial fees and the failure by bank regulators to respond to accusations of price gouging. Last June, the Canadian bank RBC faced significant account closures in some Eastern Caribbean countries, including St. Kitts, St. Lucia and St. Vincent, when it introduced new monthly fees of 25 Eastern Caribbean dollars a month on some savings and checking accounts. The reaction was so hostile that the prime minister of St. Kitts and Nevis, Timothy Harris, issued a statement regretting ‘any inconvenience or hardship caused to our public’ by the new fees. But it is a terrible idea to respond to such customer complaints by establishing

new consumer protection agencies for the region’s growing financial services. Those will take months, if not years, to set up and will be costly to operate, as such agencies would need offices, boards and employees. Plus, such bodies may duplicate the work

“The cheaper, quicker answer to the fee dilemma in the region would be to amend the laws.”

— Anthony Wilson

of the institution that should be tasked with examining and, if need be, limiting fees imposed by commercial banks. That institution, of course, is the central bank. In the Caribbean, central banks already provide regulatory oversight of commercial banks. The cheaper, quicker answer to the fee dilemma in the region would be to amend the laws that set up central banks across the region to give them the explicit responsibility of regulating the fees charged by financial institutions. Increasing their regulatory mandate to include fees would be a natural fit for the region’s central banks.”

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Advisor Video

Central America's Challenges: A Conversation with Luis Guillermo Solís, the President of Costa Rica

The Inter-American Dialogue welcomes the President of Costa Rica, Luis Guillermo Solís, for a wide-ranging and open discussion.

View the webcast of our March 16 event.



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