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FEATURED Q&A

How Well Are Countries Foiling Money Launderers?



Paraguay, Haiti and Bolivia have the region's highest risks for money laundering, while Colombia, Chile, Dominica and Uruguay have the lowest, according to a recent report by the Basel Institute on Governance. // File Photo: Drug Enforcement Administration.

Q Paraguay, Haiti and Bolivia are the highest-risk countries for money laundering in Latin America and the Caribbean, while Colombia has the region's lowest risk for the crime, according to an Aug. 16 report by the Basel Institute on Governance. What are the main factors behind the prevalence of money laundering in the high-risk countries and for Colombia's relatively low risk? How well have the governments of the countries above addressed money laundering, and what more should they be doing? Are banks in these countries doing enough to prevent the practice, and what additional safeguards, if any, should they put in place?

A Mimi Yagoub, writer and investigator at InSight Crime in Medellín: "Each of the top countries in the Basel index have clear vulnerabilities when it comes to money laundering. Paraguay and Bolivia are both exposed to the flows of drug money.

They are key marijuana and cocaine producers and transit nations in the heart of the Southern Cone, in which criminal networks have set up lucrative operations. And Haiti has been beset with political instability and has severe weaknesses in its judicial system, hindering its ability to identify and prosecute money-laundering activities (even the current president has been accused of laundering millions in state banks). However, as we have reported and as the Basel Institute also recognizes, this index is not intended to show how prominent money laundering is in each country. Probably for this reason, a country like Colombia, where a huge amount of criminal revenue is generated and inserted into the legal system, appears relatively low down the list. This is likely because its institutions have

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TODAY'S NEWS

POLITICAL

More Than 200 Killed in Powerful Mexico Quake

The powerful 7.1-magnitude earthquake was centered 60 miles south of Mexico City and caused scores of buildings to collapse in the capital. Area residents dug through rubble to help rescue crews search for survivors.

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BUSINESS

Peruvian Farmer Sues Newmont Mining

The farmer alleged that the mining company used heavy-handed tactics to evict her from her home to make way for a gold mining project.

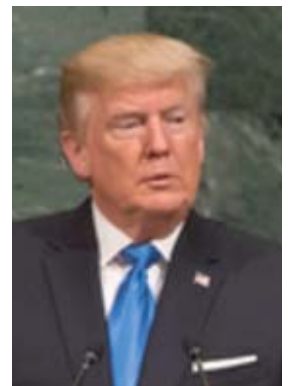
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POLITICAL

Trump Eyes 'Further Action' Against Venezuelan Gov't

In his speech to the U.N. General Assembly, U.S. President Donald Trump said world leaders should not stand by as Venezuela's government undermines democracy.

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Trump // Photo: United Nations.

POLITICAL NEWS

More Than 200 Killed in Powerful Mexico Earthquake

At least 217 people were killed Tuesday when a powerful 7.1-magnitude earthquake rocked central Mexico, causing scores of buildings to collapse and thousands of people fleeing into the streets. The earthquake was centered 60 miles south of Mexico City in the town of Chiutla de Tapia in Puebla State, The Wall Street Journal reported, citing Mexico's seismological service. Entire apartment blocks shook violently in the capital, including in the historic El



Area residents helped rescue crews dig through rubble to search for survivors in Mexico City. // Photo: Notimex.

Centro and Roma districts, causing balconies to crumble and leading to huge cracks in building facades, the Los Angeles Times reported. At least 86 people were killed in Mexico City, where 44 buildings were severely damaged. Twelve other people were killed in Mexico State, 71 died in Morelos State, 43 in Puebla State, four in Guerrero State and one in Oaxaca, Mexican officials said. Among the dead were 20 children and two adults who were killed at the Enrique Rebsamen school, south of Mexico City, said President Enrique Peña Nieto, who visited the site late Tuesday, The Wall Street Journal reported. At least 30 second-grade students and eight adults, including teachers, were still missing, according to authorities. The earthquake, which struck at 1:14 p.m. Mexico City time, happened on the anniversary of Mexico's catastrophic 1985 earthquake, which killed thousands of people. Tuesday's earthquake also happened less than two weeks after southern Mexico was rattled by a strong

earthquake on Sept. 7 that caused nearly 100 deaths. Peña Nieto on Tuesday rushed back to Mexico City from Oaxaca where he had planned to tour areas that were affected by the Sept. 7 quake, the Financial Times reported. "The first images I have seen are of collapsed buildings and severe damage...at the moment, we have an emergency in Mexico City," he said. Mexico's federal government dispatched 3,428 troops in Mexico City and surrounding states following the earthquake, the Los Angeles Times reported. After buildings collapsed, area residents helped soldiers to dig through in efforts to find survivors. Such scenes played out in areas including the upscale Condesa neighborhood of Mexico City, where a large apartment building collapsed on normally quiet Amsterdam Street. The building was reduced to a pile of concrete and dust as hundreds of residents joined soldiers, police officers and firefighters in a search for survivors.

Trump Eyes 'Further Action' Against Venezuelan Gov't

U.S. President Donald Trump in a speech Tuesday at the U.N. General Assembly threatened that the United States would take "further action" against Venezuela and also promised he would not lift sanctions against the Cuban government unless it makes significant reforms, the Miami Herald reported. Trump told the other world leaders assembled not to stand by as the Venezuelan government undermines its democratic institutions. "I ask every country represented here today to be prepared to do more to address this very real crisis," Trump said. "We call for the full restoration of democracy and political freedoms in Venezuela. The problem in Venezuela is not that socialism has been poorly implemented, but that socialism has been faithfully implemented." Trump received applause throughout his speech, especially as he called on the international community to support the people of Venezuela, but heard silence from the audience when he blamed socialism for Venezuela's ills. Venezuelan leaders immediately condemned the

NEWS BRIEFS

Hurricane Maria Slams Into Puerto Rico as Category 4 Storm

Hurricane Maria, a powerful Category 4 storm, made landfall this morning in Puerto Rico as the strongest storm to hit the U.S. territory in more than 80 years, The Washington Post reported. Maria slammed into the island at 6:15 a.m. near the town of Yabuoca with 155 mile-an-hour winds. In an interview this morning with NBC's Today Show, Governor Ricardo Rosselló said conditions were "deteriorating rapidly." The storm already raked the islands of Dominica and Guadeloupe and is blamed for at least eight deaths.

Brazil's Temer Decries Rise in Nationalism in Speech at U.N.

During his speech Tuesday at the U.N. General Assembly, Brazilian President Michel Temer decried an international rise in nationalism, arguing that protectionism is not the solution to countries' economic difficulties, Reuters reported. He also expressed concerns for the protection of human rights in Venezuela, where the government has been accused by its critics of turning into a dictatorship.

Peruvian Farmer Sues Newmont Mining

A farmer in Peru is suing Colorado-based Newmont Mining in U.S. district court, alleging the miner used violence and threats to try to evict her from her home to make way for a gold mining project, EarthRights International, the environmental group representing her, said Tuesday, Reuters reported. The lawsuit aims is seeking at least \$75,000 for each affected member of the farmer's family. A Newmont spokesman said the company had not officially been served notice, but that the family has recently "been engaged in direct, good-faith dialogue."

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been built up to tackle the phenomenon in a more reliable manner. So countries scored better based on their capacity to respond to money laundering activities, rather than their prevalence.”

A **Earl Jarrett, chief executive officer of The Jamaica National Group:** “The report by the Basel Institute on Governance reflects the efforts of countries in Latin America and the Caribbean to tackle the risk of money laundering. Colombia, along with Jamaica, Peru, Dominica, El Salvador and Chile, are classified among the countries in the region with a lower risk for money laundering. The Basel ranking is an outcome of the advances made by Colombia and other countries to eliminate the use of their territories by criminal organizations and tax evaders for the laundering of illegally gained funds. These countries have systematically implemented anti-money laundering ‘vaccines,’ such as the promulgation of laws that define and criminalize money laundering, and the establishment of state agencies such as financial intelligence units to monitor, investigate and prosecute those found practicing money laundering. A critical component in the fight against money laundering is the role of the banks and other financial institutions. For Colombia, banks are required to have robust and inflexible know your customer policies, and new customers must be assessed and classified according to their risk of being money launderers. Banks are also required to implement policies to insulate them from the risk of money laundering, including systems to monitor customer behavior against the assessment done at the time of onboarding the customer. Banks are also obliged to have their anti-money laundering processes audited by an independent auditor to ensure that the policies and procedures are being executed as designed. Colombia has benefited from its National Identity and Registration System, which requires each person to have a national identity card that

includes biometric data. The identity card is required to conduct transactions with the government. The National Identity System, along with banks’ know your customer policies, provide a solid basis upon which financial transactions become transparent, which is a major disincentive to money launderers.”

A **Melissa Diaz and Marcela Blanco, associate attorneys at Diaz Reus & Targ:** “Colombia’s status as the country in the region with the lowest risk of money laundering is explained by the strength of its anti-money laundering and counter-terrorist financing (AML/CFT) framework. An essential part of this framework is the Superintendency of Finance, which works closely with Colombia’s Unit for Financial Information and Analysis and provides guidance for AML controls and reporting. Paraguay, Bolivia, and Haiti still need to bring greater pressure on banks to improve their internal controls by, for example, requiring that financial beneficiaries be identified and requiring that bearer shares be converted into registered shares. Nevertheless, Bolivia and Haiti have made measurable progress on AML/CFT regulation. Bolivia, while still beset with corrupt institutions, has taken steps toward strengthening its AML/CFT framework by joining forces with United Nations Office on Drugs and Crime to combat organized crime, drug trafficking and corruption. The program aims to strengthen Bolivia’s ability to prevent crime and respond to threats of corruption. Haiti is a member of the Caribbean Financial Action Task Force (CFATF). Nevertheless, in 2015, Haiti was criticized for insufficient progress in addressing AML/CFT issues. Haiti has since reinforced its political commitment to reform and enacted a Law on the Organization and Functioning of the Central Unit of Financial Intelligence to help it build an effective AML system. To continue progressing, Haiti should initiate a program to report cross-border movements of currency

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speech. President Nicolas Maduro shot back, calling Trump “the new Hitler” of international politics, the Associated Press reported. Foreign Minister Jorge Arreaza said the United States was seeking “a change of regime by force,” the Miami Herald reported. Trump “pretends to rule the world, but he does not even rule his own country,” Arreaza said after the speech. Trump’s speech followed a dinner meeting the previous evening with Latin American Presidents Michel Temer of Brazil, Juan Manuel Santos of Colombia and Juan Carlos Varela of Panama, as well as Argentine Vice President Gabriela Michetti, at which Trump said the countries’ trade relationships were a “critical foundation for advancing peace and prosperity” among neighbors in the region. Trump’s comments on Cuba at the United Nations came amid a U.S. investigation of mysterious injuries sustained by U.S. and Canadian diplomats and their families in Havana in recent months, caused by some type of sonic device.

ECONOMIC NEWS

Mexican Gov’t Eyes New Regulations for Financial Technology

Mexican President Enrique Peña Nieto’s administration is planning to present a proposal to regulate the country’s fast-growing financial technology sector, Reuters reported. The measure is aimed at ensuring financial stability and preventing money laundering and the financing of extremists, affecting firms including those that use crypto-currencies such as Bitcoin. If passed, Mexico would join the ranks of a small number of countries, including the United States and Britain, that have sought to regulate fintech firms. “This [legislation] recognizes the need that a sector as dynamic as that of technological innovation needs a regulatory framework that allows authorities to mitigate risks and allow for growth in a competitive environment,” the legislation says. The bill aims to lower costs for users and would regulate companies operating with virtual currencies.

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and to identify and verify the identities of beneficial owners. Paraguay's lack of resources dedicated to prosecuting financial crimes and corrupt legislature (which earlier this year rejected an effort to crack down on the use of laundered money in campaign financing and also blocked Paraguay's AML secretary and comptroller general from being involved in campaign audits) are two driving factors behind the prevalence of money laundering in that country. Paraguay should devote resources to the investigation and prosecution of financial crimes and allow campaign audits to be carried out by its AML secretary and comptroller general to help keep dirty money out of the legislature."

A **Wally Swain, senior vice president for emerging markets at 451 Research in Bogotá:** "The irony of Latin American legal systems is that we have all the laws we need, but they are poorly enforced. Napoleonic Code-based legal systems do not lack for laws. Since fundamentally, anything that is not permitted by law is forbidden, to avoid stasis, governments write lots of legislation. Since legislators are responsible (or at least they want to appear responsible), these laws are usually very well written, based on proven international models. However, well-written legislation is just a waste of paper if it is not adequately enforced. Unscrupulous legislators know this and take the 'moral high ground' by publicly supporting strong laws that they know in advance cannot or will not be applied rigorously. Colombia gets high marks for its work against money laundering, because it is strongly motivated to enforce the existing laws. Successive governments have wanted to move beyond the country's one-time pariah reputation as a 'narco-economy,' especially with the United States, its principal trading partner. A strong banking system with international aspirations—and international players—motivates financial players to be perhaps more vigilant than legislation requires them to be. Being on the 'Clinton List' is fatal for a bank or

major business group. Moves to improve the effective tax rate by closing loopholes in the financial system also help. Motivation to enforce is critical for making anti-money-laundering, or indeed any legislation, effective."

A **Jan Smith, partner at KoreFusion in Mexico City:** "Colombia's ability to rein in money laundering is a function of the size of and maturity of its banks' core banking platforms and practices. Colombian banks have economies of scale and can afford to keep systems up-to-date and keep personnel well trained and supervised. Most banks in Paraguay, Haiti and Bolivia do not have the economy of scale, and hence the depth of resources, needed to easily stay current with anti-money laundering/know your customer

“Colombian banks have economies of scale and can afford to keep systems up to date and keep personnel well trained and supervised.”

— Jan Smith

(AML/KYC) practices. Incidentally, the same is true in the United States, where smaller financial institutions are 'derisking' operations with Latin America, as opposed to keeping up with investments. Local governments can help by updating regulations to allow the use of new technologies and protocols such as ISO 20022 messaging standards, and use of digital on-boarding practices like using GPS, blockchain and biometric solutions for KYC. Local governments, along with international donors, can also explore providing credits and rebates that facilitate investments that update core-banking platforms and AML compliance training, as well as support the use of multi-bank/collective platforms and investments for smaller banks."

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