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FEATURED Q&A

Will a New Fintech Law Benefit Mexico?



Mexican President Enrique Peña Nieto on March 8 signed into law a new measure to regulate the country's financial technology companies. // Photo: Mexican Government.

Q Mexican President Enrique Peña Nieto this month signed into law a new measure to regulate the country's financial technology sector. The new law seeks to establish stability and prevent money laundering across a host of emerging technologies in the financial services sector such as crowdfunding, cryptocurrencies and new payment methods. The law also permits open banking, or the sharing of user information by financial institutions through public application programming interfaces, or APIs. How important are is Mexico's new fintech measures, and will they benefit the country? What were the biggest areas of debate and controversy as the legislation was being drafted over past months? Which interests stand to gain or lose the most from its passage?

A Lindsay Lehr, senior director at Americas Market Intelligence: "The fintech law is the first of its kind in Latin America and is thus a huge success for the fintech community. Fintech startups are confident that while the law will add operational costs associated with the need to meet compliance standards, it will greatly benefit the fintech community and Mexicans in general. A large barrier to the use of fintech products by consumers is a lack of trust in non-bank entities, and the law serves to provide the consumer protections necessary to foster trust and promote usage. Also, the open banking provisions in the law will go a long way toward making data more accessible and enable fintech startups to develop targeted products for underserved consumer niches. While banks are supportive of the fintech law in theory,

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TODAY'S NEWS

POLITICAL

Maduro Still Not Invited to Summit of the Americas: Peru

Venezuelan President Nicolás Maduro is still not invited to the Summit of the Americas, said Peru's new foreign minister, Nelson Popolizo.

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ECONOMIC

Mexico Slaps Tariffs on Steel Pipe Imports

Mexico's economy ministry said it was imposing tariffs on steel pipe imports from South Korea, Spain, India and Ukraine.

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POLITICAL

Trump Planning to Send National Guard to Border

For a third consecutive day, U.S. President Donald Trump expressed frustration about illegal immigration. In a meeting with Baltic leaders, he said he would send troops to secure the country's border with Mexico.

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Trump // File Photo: White House.

POLITICAL NEWS

Trump Planning to Send National Guard to Southern Border

U.S. President Donald Trump is planning to send National Guard troops to the country's border with Mexico in an effort to confront what the White House says is a growing threat from illegal immigration, crime and drugs, The New York Times reported. The announcement came after three days of warnings from Trump about the dangers of illegal immigration. In remarks on Tuesday during a news conference with the presidents of three Baltic nations, Trump said he would send the military to the border with Mexico to prevent Central American migrants from entering the United States. "We have horrible, horrible and very unsafe

laws in the United States," said Trump. "We are preparing for the military to secure our border between Mexico and the United States." Federal law bars the use of active-duty members of the military for law enforcement within the United States, unless Congress specifically authorizes such action, the Associated Press reported. However, former President George W. Bush sent 6,000 National Guard troops to the border to assist the border patrol with non-law enforcement duties. Former President Barack Obama sent about 1,200 National Guard troops to the border with Mexico to strengthen efforts to fight drug smuggling and illegal immigration. Trump's recent comments on immigration followed his signing of a more than trillion-dollar spending measure that did not fund his promised wall along the U.S.-Mexico border, The New York Times reported. Last year, the number of undocumented migrants caught at the border was the lowest since 1971, according to the U.S. Border Patrol.

NEWS BRIEFS

Jury Finds Ex-Bolivian President Responsible for Killings in 2003

A federal jury in Florida on Tuesday found former Bolivian President Gonzalo Sánchez de Lozada and his defense minister responsible for killings by Bolivia's security agents in 2003, the Associated Press reported. In a civil case decided in Fort Lauderdale, the jury awarded \$10 million in damages to a group of relatives of people killed by defense forces during 2003 riots over natural gas resources. Representatives for the defendants said they will appeal the ruling.

Maduro Still Not Invited to Summit of the Americas: Peru's Foreign Minister

Peru's new foreign minister Néstor Popolizo announced on Tuesday that Venezuelan President Nicolás Maduro is still not invited to attend the Summit of the Americas in Lima on April 13-14, El Comercio reported. Popolizo said in a speech that his ministry would commit Peru to defending democracy and human rights. Before resigning from office last month, then-Peruvian President Pedro Pablo Kuczynski had disinvited Maduro from the summit.

Mexico Imposes Tariffs on Steel Pipes From Four Countries

Mexico's economy ministry announced Tuesday that it was slapping tariffs on imports of carbon steel pipes from South Korea, Spain, India and Ukraine, Reuters reported. The ministry said the imposition of the anti-dumping duties followed an investigation into what it called "unfair" trade practices. The investigation covered the period between April 2013 and March 2016 and came at the request of a company, the wire service reported. Last month, Mexico's economy ministry imposed anti-dumping duties on carbon steel pipe imports from China.

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open APIs and more access to data will make it easier for fintech companies to develop products that sidestep banks and card networks. This is desirable for the underbanked, since doing so will reduce costs and make alternative financial services more affordable. Thus, banks are on edge. Finally, the law also introduces a level of certainty into the sector for investors, so more investment dollars should flow to fintech both domestically and from abroad."

A Felipe Carvalho, vice president-analyst for Latin America banking at Moody's Investors Service: "The recently approved law that will regulate crowdfunding companies and tech-enabled payment platforms is positive for Mexican banks because it establishes a clear set of norms for up-and-coming financial technology companies and will help level the playing field with banks, while incentivizing innovation and investment in new technologies and business models. These companies will be regulated

and supervised by Mexican authorities and subject to minimum requirements for capitalization and liquidity, as well as provisions related to investor and user protection, anti-money laundering and data management. As they invest in fintechs, banks will be able to improve customer service by enhancing payment platforms and smartphone applications while reducing operating costs related to brick-and-mortar operations. Mexican banks' operating costs as a percentage of total assets of 3.6 percent are well above the Latin American average of 3 percent. Financial innovation will be key to the continued growth of financial intermediation in Mexico, where the ratio of loans to GDP remains one of the lowest among large Latin American economies at 33 percent. Crowdfunding companies provide financing alternatives to millennials and under-banked sectors, many of which operate in the informal economy where there is limited transparency. Moreover, crowdfunders will be required to report credit information to credit bureaus, which will increase transparency. This will benefit

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Brazilian Finance Minister Joins Ruling Party

Brazilian Finance Minister Henrique Meirelles on Tuesday joined the ruling Brazilian Democratic Movement party, taking a step closer to either running for president or becoming President Michel Temer's running mate in October's election, Reuters reported. The party is expected to select its ticket in June or July. Meirelles, 72, left the Social Democratic Party, or PSD, when it became clear the party planned to support Geraldo Alckmin, the governor of São Paulo State, in his presidential bid. Meirelles joined a slew of other members of Temer's cabinet who in recent days have said they will resign their posts soon in order to be eligible to run for elected office later this year. Deputy Finance Minister Eduardo Guardia is expected to replace him. In related news, Brazil's Supreme Court is scheduled today to consider former President Luiz Inácio Lula da Silva's plea to remain free despite a 12-year prison sentence for corruption, Bloomberg News reported. The decision could shape the outcome of the presidential election. Lula, who has been the clear front-runner in opinion polls, argues he should not be imprisoned until he has exhausted all chances for appeal. Protesters both against and for Lula's candidacy gathered in some of the country's main cities on Tuesday night, with more protests expected today. Officials have called for calm.

BUSINESS NEWS

Tianqi Planning to Proceed With Buying SQM Stake

Representatives from Chinese lithium firm Tianqi have told Chilean antitrust prosecutors that the company intends to proceed with its purchase of a 32 percent stake in Chilean producer SQM from Canada-based Nutrien, El Pulso

THE DIALOGUE CONTINUES

What Can Costa Ricans Expect of Their Next President?

Q **Ruling party candidate Carlos Alvarado Quesada on Sunday won Costa Rica's presidential runoff, garnering 61 percent of the vote to defeat evangelical singer and lawmaker Fabricio Alvarado Muñoz. Same-sex marriage was a prominent issue in the campaign, with Alvarado Quesada in support of it and Alvarado Muñoz opposed to it. To what can Alvarado Quesada, who came in behind Alvarado Muñoz in the first round, attribute his victory? What can Costa Ricans expect of his government, and how much will his policies differ from those of current President Luis Guillermo Solís? What will Alvarado Quesada's government mean for businesses operating in Costa Rica and for the country's economy?**

A **Pablo Duncan Lynch, founding director and country director for Costa Rica at CLC Global:** "Carlos Alvarado's victory can be attributed to several issues that played major roles at the end of this campaign. Coalition and concessions with other political forces allowed Alvarado to reach beyond his party's core voters. Amendments, especially to his economic program, allowed him to reduce voter abstention to only 33 percent nationwide. The first round was dominated by the Inter-American Court of Human Rights' ruling on same-sex marriage and allowed Fabricio Alvarado to win the first ballot. However,

reported Wednesday. Tianqi's representatives made the assertion at a March 29 meeting with officials from the National Economic Public Prosecutor's office, or FNE, according to Ley de Lobby, a lobbying transparency arm of the Chilean government. Corfo, a Chilean government agency that works to promote economic growth, on March 9 requested that antitrust prosecutors block the deal. The complaint was submitted by Corfo's then-vice president

both candidates left that issue behind in the second round. Voters did show concerns on cultural issues such as LGBT rights, women's rights and institutions, on which Fabricio Alvarado held conservative positions. Agreements with Rodolfo Piza, the former candidate of the Social Christian Unity Party (PUSC), complicated the next government's economic policy with more austerity, spending controls and less abrupt tax reform than originally planned. The budget deficit is the main economic issue in Costa Rica and has to be addressed in order to reduce the country's high rate of unemployment. Carlos Alvarado opposes liberalizing the energy market and entering the Pacific Alliance; he favors foreign investment, public-private infrastructure projects and the reduction of red tape. It is important to indicate that we will have to wait for the formation of his cabinet, since Carlos Alvarado has expressed his interest in achieving a multiparty cabinet, an aspect that can also be deduced from the agreements with Rodolfo Piza. This will be important, because in the past, some members of his party have supported issues such as price control for medicines."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in Tuesday's issue of the Advisor.

Eduardo Bitran, who has since been replaced following the transition to the administration of Sebastián Piñera. As of March 16, the new government still had not decided whether to proceed with Corfo's complaint, Reuters reported. Piñera assumed office on March 11 after defeating the ruling Socialist party candidate on promises to open Chile up for business. The FNE has six months following the complaint to decide whether to open an investigation.

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traditional lenders as they will be better able to lend to these clients as well. Hence, fintechs will complement banks rather than compete with them. Traditional lenders will continue to dominate lending and payment services through digital channels, such as smartphones and the Internet, and will continue to stay out of the higher-risk market segments, on which fintechs will focus.”

A **Richard Fogarty and Tony Moroney, managing directors at Berkeley Research Group:** “Mexico is one of the largest consumer markets in the world, with an emerging middle class, rapid growth in Internet usage and high mobile phone penetration. These measures are positive and are to be welcomed as the traditional boundaries between financial service providers continue to blur. They will also underpin and support further growth in Mexico’s already thriving fintech sector; in excess of 150 firms are operating across areas including payments, remittances, lending and crowdfunding. By providing regulatory certainty to industry participants, Mexico will generate additional investment in fintech and the digital transformation of financial services. Regulatory authorities around the world are attempting to balance pro-consumer innovation with the need to maintain stability of the financial system. The traditional descriptors of firms are somewhat unhelpful as the focus should move to the type of service being provided and regulated accordingly. The other problem that regulators are seeking to prevent is the use of fintech for money laundering and terrorism financing. Under the fintech regulatory framework, the authorities will supervise authorized companies and their activities. Fintech and the overall digital transformation of financial services will enhance and expand the range of products and services for personal consumers and businesses. New customer-focused business models should reduce costs, which in a more competitive market should benefit the majority of cus-

tomers. A further benefit should be greater financial inclusion, particularly in rural areas, as new technology-enabled services are deployed to economic sectors and geographical locations not previously served.”

A **Fabian Saide, CEO, and Monica Velasco, vice president of global development at Paykii:** “The new fintech law has positioned Mexico in the spotlight, making it a role model within the fintech industry and encouraging other countries to follow its path. Other key aspects of this law are the creation of a financial innovation group as a consulting and coordination body for the private and public sectors. One of the biggest benefits of the law is that it will enable startups to have a clear and transparent process on a regulatory framework, encouraging more investment in Mexico and other countries, generating more jobs in fintech startups, with wider financial inclusion and innovation. One of the big surprises was the measure obligating financial institutions to open data through public application programming interfaces, or APIs, which will have repercussions for companies such as brokerage financial firms and insurers. One of the challenges of this measure will be drafting secondary provisions for APIs, which should establish parameters for cybersecurity and personal data protection. On the cryptocurrency side, this was an important step, helping ‘crypto-companies’ operate with a legal certainty endorsed by the Bank of Mexico, simplifying the processes for operating with financial institutions. However, we need to keep in mind that this is just the first step. This act provides for the issuance of a secondary regulation by the National Banking and Securities Commission within six to 24 months on matters such as minimum capital, limit amounts for operations through technology platforms, corporate governance, information security, regulatory reports and other topics of interest.”

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org



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