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### FEATURED Q&A

#### Will Brazilian Banks Consider More Overseas Expansion?

**Q** According to London's *Sunday Times*, Brazil's Itau Unibanco is considering purchasing a stake in Royal Bank of Scotland or Lloyds Banking Group and is also eyeing deals in other locations such as the United States, although an Itau spokesman later denied the report. Meanwhile, last year state-owned Banco do Brasil announced its intention to increase its presence outside of Brazil and open a branch in the United States. Will international expansion be a growing trend for Brazil's banking sector this year? What is the significance of these efforts? How does potential expansion abroad compare to Brazilian banks' expansion plans at home?

**A** Chad S. Purdie, associate attorney at Diaz, Reus & Targ LLP in Miami: "Despite the international economic downturn, international expansion of Banco do Brasil and Itau Unibanco is just the beginning for Brazilian-based banking institutions. While all signs point to a continued focus first and foremost on traditional, domestic banking, Brazilian banks' concerted effort to emphasize corporate banking—along with private banking for high-net worth individuals—will almost certainly lead to establishing a presence in other countries and regions. The reason: almost all domestic niches are covered, while the international market provides numerous new

opportunities. The name of the game in Brazilian banking has been domestic consolidation—with the Itau/Unibanco merger being the most prevalent. That will continue to be the case. However, one byproduct of the consolidation process is the increased efficiency needed for international expansion. Itau is already the Brazilian bank with the largest presence abroad, controlling \$13 billion in assets in Argentina, Europe, the United States and Japan. But now, for the first time in history, Brazilian banks can use their stock as money to buy foreign assets in Brazil. Once

*Continued on page 4*



#### Murcia Pleads Not Guilty to Money Laundering in U.S.

David Murcia Guzman, who was sentenced last month in Colombia for running a pyramid scheme, on Jan. 8 pleaded not guilty to U.S. money laundering charges. See story on page 2.

*File Photo: Colombian Government.*

## Inside This Issue

<b>FEATURED Q&amp;A:</b> Will Brazilian Banks Consider More Overseas Expansion?.....1	Brazil's Itau Reportedly Considering Purchasing Stake in British Banks.....2	Remittances to Mexico Fell 14% Year-On-Year in November.....3
Former Bank Executive Says He Won't Respond to JPMorgan Suit.....2	Jamaica Mortgage Bank Seeking Assets of Real Estate Firm's Directors.....2	<b>Comings &amp; Goings:</b> Daimler Financial Services, BofA Merrill Lynch and More.....3
Colombia's Murcia Pleads Not Guilty to Money Laundering in U.S. Court.....2	Peru Bank Loans Reach Record High, More Growth Expected.....3	Political and Economic News: Haiti, Venezuela and More.....4-5

## FINANCIAL SERVICES BRIEFS

**Peru Bank Loans Reach Record High, More Growth Expected**

Peruvian bank loans are reaching record-high levels and are expected to continue to expand along with growth in the economy this year, Peruvian banking association Asbanc said Dec. 21, according to Dow Jones. Loans to corporations hit a high of 54.48 billion soles (U.S. \$18.7 billion) in November, while consumer credit and mortgage loans also rose to record-high levels. Central Reserve Bank of Peru President Julio Velarde said mortgage loans in particular have room to grow.

**Mexican Mortgage Lender Credito y Casa Sells All Operating Assets**

Mexico's **Hipotecaria Credito y Casa** has sold all of its operating assets and settled debts with Mexican government development bank Sociedad Hipotecaria Federal, the mortgage lender said Dec. 28, *The Wall Street Journal* reported. Finance company **ABC Capital** bought the operating assets for an undisclosed amount, Credito y Casa said in a filing with Mexico's stock exchange. Credito y Casa defaulted earlier this year on debt amid the global economic crisis.

**U.S.-Based Ebix Acquires Brazil's MCN Technology & Consulting**

Atlanta-based **Ebix**, a software and technology firm focused on the insurance industry, announced Jan. 11 that it has acquired Sao Paulo-based **MCN Technology & Consulting**. Founded in 2001 and employing about 45 people, MCN offers information technology products as well as services for pension and annuity providers. The company currently serves 40 of Brazil's 140 insurance companies. No financial details were disclosed.

**Financial Services News****Former Bank Executive Says He Won't Respond to JPMorgan Suit**

A former private banking executive of **JPMorgan Chase**, who was indicted on embezzlement charges, said Dec. 31 that he will not respond to a lawsuit the bank filed against him, Bloomberg News reported. Hernan Arbizu, who fled from the United States to Argentina, said he will not seek legal counsel to defend himself against the accusations that he took \$2.8 million from a JPMorgan customer's account to replace money he was accused of stealing from an account at **UBS**, where he worked before joining JPMorgan. JPMorgan filed a lawsuit against Arbizu Dec. 28 in federal court in Manhattan. "I

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“I personally committed fraud against three people, but I didn't keep that money for myself.”

— *Hernan Arbizu*

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don't have anything they can take away from me, so what can they do if I don't defend myself?" Arbizu told Bloomberg News in an interview. "I live off my family, and there are days I only have a few coins in my pockets." Arbizu, whom the U.S. is seeking to extradite, has been living in Buenos Aires since fleeing the United States in 2008. Arbizu has previously admitted to the Argentine press that he committed fraud. "I personally committed fraud against three people, but I didn't keep that money for myself," he previously said, according to Bloomberg.

**Colombia's Murcia Pleads Not Guilty to Money Laundering in U.S. Court**

David Murcia Guzman, known as the "Colombian Madoff" for running a major pyramid scheme in his home country, on

Jan. 8 pleaded not guilty to charges of laundering drug proceeds in U.S. federal court in New York, EFE reported. Murcia, who was sentenced in December to 30 years and eight months in prison in Colombia, was extradited Jan. 5 to the United States. Evidence against Murcia on the money laundering charges included 170 boxes of documents, wiretapped recordings and computer disks, Assistant U.S. Attorney Telemachus Kasulis told Judge William Pauley. Robert Abreu, Murcia's attorney, said he needed time to examine the evidence, and Pauley set March 4 as the date for the next hearing. Murcia's company **DMG**, his initials, operated branches in Colombia, Venezuela, Panama and Ecuador when the Colombian government shut down the scheme in 2008. The firm sold prepaid debit cards to customers, who used them to purchase goods at DMG stores and then redeem cash rewards for signing up other investors.

**Brazil's Itau Reportedly Considering Purchasing Stake in British Banks**

Brazil's **Itau Unibanco** is considering purchasing a stake in **Royal Bank of Scotland** or **Lloyds Banking Group**, Britain's *Sunday Times* reported, citing Pedro Malan, the chairman of Itau Unibanco's international advisory board. "We're looking. Of course we're looking," Malan told the newspaper. "But we're not in a hurry. We think we have time." Malan, a former Brazilian finance minister, said Itau could finalize plans for buying a stake in a British bank this year. The bank is also considering potential deals in other countries, including the United States, the newspaper reported. In an interview later with Dow Jones, a spokesman at Itau denied that the bank is considering a stake in the British institutions. [Editor's note: See related Q&A on page 1.]

**Jamaica Mortgage Bank Seeking Assets of Real Estate Firm's Directors**

Government-owned **Jamaica Mortgage Bank**, which is reportedly owed \$143.45

million by failed real estate firm **KES Development Limited**, is seeking personal assets of the firm's directors, Hugh Scott and his wife Elsa, the *Jamaica Gleaner* reported Jan. 8. "We have been investigating," JMB general manager Patrick Thelwell told the newspaper. "We haven't been able to locate any substantial equity locally, but we are continuing our investigations." KES, which failed more than a year ago, has \$1 billion in debts to its 35 creditors, including **Capital and Credit Merchant Bank**, which the real

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*KES, which failed more than a year ago, has \$1 billion in debts to its 35 creditors.*

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estate firm owes \$253.29 million. In November, Hugh Scott named Paul Anthony Desnoes to liquidate assets after the previous liquidator, Ken Tomlinson, of **Business Recovery Services**, quit in October. Last year, Tomlinson had told creditors that Scott claimed the company had \$700 million in operational projects and that all of KES' outstanding debts would be paid off by December 2009. KES' assets mainly consist of unfinished upscale housing developments.

## Remittances News

### Remittances to Mexico Fell 14% Year-On-Year in November

The amount of remittances sent home by Mexicans living abroad fell 14.4 percent in November compared to the same month the year before, Mexico's central bank said Jan. 4, Reuters reported. Money transfers sent to Mexico totaled \$1.5 billion in November, the fifth straight monthly decline. Remittances last touched these levels in February 2005

## Comings & Goings

Vehicle financing firm **Daimler Financial Services** said Jan. 8 that it has named its former president and CEO for the Americas region, Klaus Entenmann, as chairman in the company's Berlin headquarters. Entenmann's appointment is among several top-level changes. Daimler Financial Services also named Franz Reiner, the former head of **Mercedes-Benz Financial USA**, as its new president and CEO. Richard Howard, formerly vice president of **Daimler Truck Financial USA** and regional head for Latin America was, along with Reiner, named a member of the company's board of management.



Entenmann  
*File Photo: Daimler Financial Services.*

New York-based **Citigroup Inc.** said Jan. 11 that Teresa Dial, head of the company's North American consumer-banking business, has left after two years on the job for "personal reasons" and will become a senior advisor, Dow Jones reported. She is being replaced by Manuel Medina-Mora, who will also remain chairman and chief executive of Citi's Latin American and Mexican operations. In addition, Medina-Mora will be chairman of Citi's newly formed Consumer Council, at which he will be responsible for Citi's global consumer strategy and work closely with regional CEOs, according to the report.

**Bank of America Merrill Lynch** has named Luiz Carlos Couto as its new sales manager for Latin America and Marcelo Pereira de Carvalho as senior sales officer for Brazil, the bank said Dec. 21. Before joining Bank of America Merrill Lynch, Couto was transaction banking head for Mexico, Central America and the Caribbean at **Standard Chartered Bank**. Carvalho most recently was senior vice president and product director for Citibank's **North America Commercial Bank**, where he worked for 20 years. There, he covered Sao Paulo, London and New York.

Global growth equity firm **General Atlantic** has appointed former **Visa** president Hans Morris as a special advisor, the Greenwich, Conn.-based firm said Jan. 5. General Atlantic invests in growth companies in the United States, Latin America, Asia and Europe. Among its current and prior investments are financial services firms including Brazil's **BM&F Bovespa**. Morris, who was president of Visa from 2007 to 2009, helped oversee the company's March 2008 initial public offering, the largest in U.S. history. Morris previously worked 27 years at **Citigroup** and its predecessor companies and left the bank as chief financial officer and head of finance technology and operations for **Citi Markets and Banking**.



Morris  
*File Photo: Dartmouth College.*

when Mexicans sent \$1.43 billion home, according to the report. However, November's drop was the smallest monthly decline since March. Remittances for the first 11 months of 2009 totaled \$19.6 billion, a decline of 16 percent compared to same period of the previous year. The recession in the United States has been blamed for much of the decline in money transfers to Mexico, and the economy both in the United States and in Mexico appears to be recovering

slowly. "The drop in remittances to Latin America in 2009 notwithstanding, remittance flows from OECD countries to the region will likely remain vigorous in the medium term," former Mexican Finance Minister Jose Angel Gurria, who is now secretary general of the Organization for Economic Cooperation and Development in Paris, told the *Financial Services Advisor* last month. [Editor's note: See related Q&A in the Dec. 9 [issue](#) of the *Financial Services Advisor*.]

## Political News

### Powerful Earthquake Strikes Haiti, Thousands Feared Dead

A massive 7.0 magnitude earthquake, the strongest to strike Haiti in more than 200 years, devastated the impoverished country Jan. 12, leaving bodies lying in streets, buildings reduced to rubble and experts fearing that the death toll could reach into the thousands. The quake, which happened at 4:53 p.m. local time, was centered 10 miles southwest of the capital, Port-au-Prince, according to the U.S. Geological Survey. Communications networks were destroyed in many areas, making it impossible to determine the full

“We all need to pray together.”

— *Louis-Gerard Gilles*

extent of the casualties and destruction. A spokeswoman for Catholic Relief Services told the *Los Angeles Times* that the organization's representative in Haiti said the scene was one of "total disaster and chaos" and that Port-au-Prince was covered with dust. "He estimates there must be thousands of people dead," the U.S.-based spokeswoman, Sara Fajardo, told the newspaper. President Rene Preval was safe, but the presidential palace was all but destroyed as was the United Nations' local headquarters. A hospital in the capital and numerous houses and other buildings also collapsed. A series of aftershocks also rocked the country, the poorest in the Western Hemisphere, as survivors attempted to claw their way out of rubble and stunned residents searched for family members. Soon after the quake, relief agencies worked to coordinate efforts as survivors struggled to help those who were hurt. "The hospitals cannot handle all these victims," Louis-Gerard Gilles, a doctor and former senator, told the

### Featured Q&A

*Continued from page 1*

Brazil becomes investment grade, more and more Brazilian banks will buy banks in other countries, especially in Argentina, Chile and Colombia. The del-

“Almost all domestic niches are covered, while the international market provides numerous new opportunities.”

— *Chad S. Purdie*

icate balancing act for Brazilian banks will be how to maintain their services at home—where they are weathering the economic crisis quite well—while

Associated Press as he helped with rescue efforts. "Haiti needs to pray. We all need to pray together."

## Economic News

### Chavez Devalues Venezuelan Currency by Half, Creates Dual Rate

Venezuelan President Hugo Chavez on Jan. 8 devalued the country's currency by half, a move that will allow the government to receive twice as many bolivars for oil exports and also fueled fears of inflation. The devaluation, which many economists say was overdue, is Venezuela's fourth since Chavez came to power in 1999. It slashes the official exchange rate of the "strong bolivar" to 4.3 per U.S. dollar from 2.15 per dollar for nonessential goods. Chavez also introduced a dual exchange rate of 2.6 bolivars per dollar for imports of food, medicine and machinery, Bloomberg News reported. The 4.3 bolivar exchange rate is known as the "oil dollar," said Finance Minister Ali Rodriguez, because state oil company PDVSA will receive twice as many bolivars for each dollar it receives from oil

expanding beyond their borders. Getting too big too fast has its consequences too—both in terms of the bottom line and customer service."

**A**ntônio Aires, partner at Demarest & Almeida Advogados in Sao Paulo: "International expansion indeed will be a growing trend for Brazilian banks this year. Besides Banco do Brasil, Itau, for instance, plans to expand in Chile, Colombia, Peru and Mexico and also outside Latin America. Banco do Brasil is also interested in increasing its presence in Asia and Africa. An international network of branches will enable Brazilian banks to render better services and financial support to Brazilian clients with activities outside Brazil. The strong real has

*Continued on page 6*

exports and turns over to the central bank. The country relies on oil for 93 percent of its export revenue. The move could add between 3 percent and 5 percent to the annual rate of inflation this year, said Rodriguez. Former central bank director Jose Guerra told Bloomberg News that the government is likely to use the new exchange rate to increase spending, a move that would spur inflation.



Chavez

*Photo: Venezuelan Government.*

"This gives them bolivars to keep spending, but inflation will continue to accelerate and another devaluation will be inevitable," he said. Getting government approval to buy dollars at the official exchange rate is difficult, forcing many Venezuelans to buy dollars in the black market, where the dollar often costs three

times the official rate. "How much currency will the government really make available to the markets at 4.3 [bolivars]?" **BBO Financial Services** banking analyst Russ Dallen said, Dow Jones reported. "If the government doesn't supply a significant amount of dollars at 4.3, then companies that need access to foreign currency will still be forced to rely on the higher parallel market." On Saturday, Venezuelans mobbed stores, snapping up goods including televisions and other electronics in anticipation of skyrocketing prices, Reuters reported. "I've been lining up for two hours outside to buy a television and two speakers because by Monday everything is bound to be double the current price," Miguel Gonzalez, a 56-year-old engineer, told Reuters. On his television show Sunday, Chavez threatened to seize any businesses that increase prices.

### Lawyer: Redrado Remains at Helm of Argentine Central Bank

Argentine central bank chief Martin Redrado, whom President Cristina Fernandez is trying to oust, remains at the bank's helm, his lawyer told reporters Jan. 11 in Buenos Aires, Bloomberg News reported. "The presidency of the central bank is in the hands of Dr. Redrado," said Ezequiel Cassagne. "Dr. Redrado will comply with the law." Fernandez issued a decree, signed by her entire cabinet, to fire Redrado on Jan. 7. However, the bank chief won an order from Judge Maria Jose Sarmiento blocking the decree. On

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“The presidency of the central bank is in the hands of Dr. Redrado.”

— Ezequiel Cassagne

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Monday, the judge said the administration's appeal would not be expedited. The judge's order will allow Redrado more time at the bank's helm. Redrado's refusal

to authorize the transfer of \$6.57 billion in foreign reserves to pay government debt obligations, which Fernandez had ordered, led to the president's attempt to fire the bank chief. Sarmiento's ruling also freezes bank from using reserves to pay off debt. Redrado told reporters Monday that he will "continue protecting and guarding" Argentina's reserves. Fernandez said Jan. 11 that using reserves to pay debt will help in reducing companies costs to borrow money.

### Financial Crisis Cost Region 2.2 Mn Jobs Last Year: ILO Report

Latin America and the Caribbean lost 2.2 million jobs last year due the effects of the global financial crisis, according to a report released Jan. 11 by the International Labor Organization, EFE reported. The crisis pushed the unemployment rate to 8.4 percent from 7.5 percent a year ago, the report said, adding that it could fall to 8.2 percent this year. The economic downturn reversed a trend of falling unemployment rates. The figure had been at 11.4 percent in 2002. The jobless rate for 2009 increased in all but two of the 14 countries studied in the report. Peru and Uruguay were the only countries not to suffer an increase in unemployment last year, the report said. Currently, 18.1 million people are unemployed in the region, the ILO said. The largest jumps in unemployment happened in Costa Rica, whose jobless rate increased to 7.8 percent from 4.9 percent, Barbados, which saw the jobless percentage rise to 10 percent from 8.3 percent and Colombia, where unemployment increased to 12.3 percent from 11.5 percent. Jean Maninat, the regional director for the ILO, said informal employment increased in the region last year. "Of every 10 jobs created, six were in the informal sector," Maninat said, adding that countries in the region should put job creation "at the center of economic policy" and also promote sustainable companies.



Maninat

File Photo: ILO.

## POLITICAL & ECONOMIC BRIEFS

### Venezuela Protests Alleged Air Incursion to U.S., Dutch Officials

Venezuelan Foreign Minister Nicolas Maduro on Jan. 11 filed a diplomatic protest charging that a U.S. military plane based in Curacao violated Venezuelan airspace last week, a claim which U.S. officials have denied, the Associated Press reported. In a letter to the U.S. and Dutch diplomats in Caracas, Maduro said the alleged incursion was an "an attempt to provoke some type of incident." A U.S. diplomat said no U.S. military plane had entered Venezuelan airspace since 2008.

### Brazil Releases Revised Trade Surplus Figure of \$25.35 Bn for '09

Brazil's trade surplus last year was \$25.35 billion, a 1.57 percent increase from 2008, according to a revision released Jan. 8 by the country's Development, Industry and Trade Ministry, EFE reported. The ministry revised the figures because electricity exports for December and other shipments had been omitted. Last year's surplus was the lowest since 2002.

### Honduras' Micheletti Rejects U.S. Call for Him to Step Down

De facto Honduran President Roberto Micheletti on Jan. 6 rejected U.S. calls for him to resign before President-elect Porfirio Lobo takes office Jan 27, the Associated Press reported. Micheletti made the comments during a trip to Tegucigalpa by State Department official Craig Kelly. Separately, the Central American country's Supreme Court said Jan. 11 that it would hear a request by Honduras' top prosecutor to charge military leaders with abuse of power for flying deposed President Manuel Zelaya out of the country during the June 28 coup that ousted him.

**Featured Q&A***Continued from page 4*

encouraged Brazilian industrial and service companies to increase their investments abroad. Also, Brazilian banks must be prepared to increase their international funding capacity, in order to allow them to be a relevant presence in the financing of Brazilian exports. By keeping branches in countries that are Brazilian trade partners, they will have access to cheaper funding to support Brazilian export activities. Another no less important factor is that the possible acquisition of other institutions in Brazil is getting more and more difficult. There

in U.K. banks RBS and Lloyds has been denied by management, its widespread acknowledgement suggests that the Brazilian banks' top executives have become more receptive to cross-border deals. The increased size of Brazil's large domestic banks, which now places them among the larger global financial institutions, certainly creates new chances for growth with unprecedented opportunities to reinforce and diversify their traditionally domestic franchises. Managements, however, expect to ride the anticipated growth of Brazil's econo-

“Both Itau Unibanco and Banco do Brasil are currently focused on the integration of recent mergers.”

— *Ceres Lisboa*

are fewer and fewer good targets in Brazil. Therefore, international acquisitions are necessary for growth and the strong real helps such trends. Finally, the financial flows of Brazilian immigrants are also important as a funding source for Brazilian banks, and the best way to take advantage of this is to have foreign branches to receive such exchange transactions. How does potential expansion abroad compare to Brazilian banks' expansion plans at home? From the way we are seeing this, the local expansion continues to be largely influenced by the government's efforts and the market's demands for real estate development financing and retail financing, while the external expansion stems mainly from the international commercial flows. We can say that, for large groups such as Itau, Bradesco and Banco do Brasil, these two expansion efforts are complementary.”

**A** Ceres Lisboa, vice president and senior credit officer for Latin American banks at Moody's Investors Service in Sao Paulo: "Although news about Itau Unibanco's possible purchase of a stake

my, which will not only reinvigorate the appetite of international investors, but will also allow the banks to service the overseas needs of Brazilian companies. We believe the banks' still-evolving expansion strategies should continue to center on broadening their domestic footprint, as well as on ensuring valuable access to core deposits to support their growing credit portfolios. Competition has encouraged these players to expand their geographical presence and gain scale, which is a defensible strategy in a low interest-rate environment. Moreover, both Itau Unibanco and Banco do Brasil are currently focused on the integration of recent mergers. We therefore do not view the future international expansion plans of either Itau Unibanco or Banco do Brasil as signaling a major change of direction for the Brazilian banks but rather as an indication of new opportunities to diversify and bolster their franchises.”

*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

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