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FEATURED Q&A

Will Mobile Banking Continue Growing in Brazil at its Current Pace?

Q The volume of Internet and mobile banking transactions grew 270 percent on average in Brazil between 2009 and 2013, rising to 2.3 billion transactions last year, according to a recent report by the Brazilian Federation of Banks, or Febraban. During the same time period, the use of smartphones in account accesses grew from virtually zero to 6 percent, the report found. Will bank customers' adoption of Internet and mobile banking in Brazil continue at its current pace? How adequate is security for Internet and mobile banking in Brazil and elsewhere in the region? How are these trends changing the way banks do business?

A Richard Child, CEO of Mattrix Group: "Mobile banking has set foot in Brazil, and the numbers speak for themselves. I have little doubt the business will continue to grow as competition sets in among players, although growth rates will slow down and stabilize as the business grows. I do believe Brazil and the region in general are well prepared for mobile banking and e-commerce, with banks and other participants utilizing the latest technologies and instituting best business practices. I think, however, what continues to lag is the creation of a more robust legal framework for consumer protection. The recent agreement between MasterCard and Visa on mobile transaction standards and protocols has significant implications and will undoubtedly positively affect mobile commerce. Cardholders and merchants alike will now be able to transact under the same set of standards, therefore providing ease of use and a common transactional environment across markets. The tokenization standards agreed to by the aforementioned companies will have far-reaching implications and will be the stepping stone for mobile commerce adoption and growth. In a few words, banks will be able to offer a common, user friendly marketplace to their customers."

Continued on page 2

Judge Orders Venezuelan Opposition's López to Stand Trial

A Venezuelan judge on Wednesday ordered opposition leader Leopoldo López to stand trial on charges of inciting violence during an anti-government protest in February. López, of the Popular Will party, has been jailed since Feb. 18. See story on page 2.

File Photo: leopoldolopez.com.

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NEWS BRIEFS

Santos Vows to Abolish Draft if Peace Deal is Reached

Colombian President Juan Manuel Santos, who is locked in a tough fight for re-election, vowed Wednesday to abolish the country's military draft if the government reaches a peace deal with the FARC rebels, Agence France-Presse reported. "Once the conflict ends, the obligatory military service is finished," Santos told BLU Radio in an interview. Santos faces Óscar Iván Zuluaga, a critic of the talks, in the country's June 15 presidential runoff election.

Guatemalan, Costa Rican Presidents to Meet in San José

Guatemalan President Otto Pérez Molina announced this week that he will make an official visit to Costa Rica and meet with President Luís Guillermo Solís on Friday morning, Agence France-Presse reported. Pérez Molina said the two will discuss bilateral relations, trade, the environment, tourism and culture, while Solís said he wants to discuss regional integration. This will be the first visit by a head of state to Solís since he assumed the presidency on May 8.

Peruvian Shipbuilder Delivering Two Barges to Panama

SIMA, Peru's state military shipbuilding company, on Wednesday delivered two $2.5-million barges to the Panama Canal Authority, EFE reported. The barges can each carry 3,500 barrels of fuel and will leave for Panama on June 19. Peruvian Defense Minister Peter Cateriano, who attended the delivery ceremony, said the barges are the last two of a contract SIMA won to build four barges for the Panama Canal Authority.

Political News

Venezuelan Judge Orders Opposition's López to Stand Trial

A judge in Venezuela has ordered opposition leader Leopoldo López to stand trial on charges of spurring violence at an anti-government demonstration in February, BBC News reported. López, the national coordinator of the Popular Will party, has been jailed since Feb. 18. The charges against him relate to protests that happened six days earlier in which three people were killed. The anti-government protests that started in early February have continued and have left at least 42 people dead. López is facing charges including instigating violence, damaging property and arson, said Judge Adriana López. The opposition leader's supporters have maintained that he is being held on trumped-up charges and that his detention is purely political. After the judge's ruling, the Popular Will party said in a posting on Twitter that "unfortunately, justice has not been done." President Nicolás Maduro's government has blamed López and his supporters for the violence that has beset Venezuela and has accused them of fomenting a coup with the support of the United States. Meantime, the opposition has accused Maduro's government of repressing protesters and curbing freedom of expression. Several members of the country's security forces are under investigation after being accused of using excessive force against the protesters. Talks between the government and opposition leaders aimed at bringing an end to the protests have stalled.

Maduro

File Photo: Venezuelan Government.

Economic News

Argentina, Brazil Reportedly Agree to Deal on Vehicle Trade

The governments of Argentina and Brazil have agreed to a new deal to regulate the vehicle trade between the two countries, the *Buenos Aires Herald* and Reuters reported today without citing sources. The

Featured Q&A

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Cristiano Barbieri, CIO at SulAmérica Seguros e Previdência: "I believe the adoption of mobile banking will greatly accelerate as people become more connected every day, and smartphones are already part of people's lives 100 percent of the time. Mobile banking will probably surpass online banking in just a few years. Security remains the banks' biggest challenge, as there are many people currently trying to breach banks' security. Banks' investment in security is huge, but it will need to become even larger. Many people do not use smartphones for mobile banking because they believe they are unsafe so banks also have the challenge of changing that culture. These changes will greatly affect banks' decisions on where to have physical branches as well as their investments in technology as more migrate to a completely electronic world. Banks that offer more services and products to customers and interact with them via smartphones will come out in front, while those that fail to adapt will not survive."

> "Mobile banking will probably surpass online banking in just a few years."
>
> — *Cristiano Barbieri*

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agreement, which officials will formally sign on June 11, will have Brazil exporting between $1.60 and $1.70 in auto parts to Argentina for every dollar's worth that it imports. The agreement will reportedly be valid for one year.

Company News

Pemex Selling Stake in Repsol, Ends 25-Year Relationship

Mexican state oil company **Pemex** said Wednesday that it has sold the majority of its stake in Spain's **Repsol** for approximately 2.09 billion euros ($2.9 billion), Reuters reported. **Citigroup** and **Deutsche Bank** handled the sale of the 104 million shares, equal to a 7.9 percent stake in Repsol, through an accelerated book build. Pemex had held a 9 percent stake in Repsol and was the company's third-largest shareholder. The Mexican company said Wednesday that it plans to sell its remaining stake in August. Pemex has held a stake in Repsol for more than 25 years, but relations between the companies have been strained since 2011 when Pemex supported an attempt by Spanish construction group **Sacyr** to take majority control of Repsol. Relations worsened last month when company Chairman Antonio Brufau, whose management Pemex had previously criticized publicly, appointed a CEO that Pemex did not support. Pemex will lose its seat on Repsol's board, and the deal may put an end to joint plans for offshore oil exploration in the Gulf of Mexico. However, cooperation in offshore oil development will likely be on the agenda when Mexican President Enrique Peña Nieto visits Spain next week and meets with the Spanish prime minister, Reuters reported. The Mexican government had recently suggested the sale as a way to raise funds to invest in new opportunities in Mexico arising from the opening of the country's energy sector.

Brufau

File Photo: Repsol.

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the 59th OAS Policy Roundtable with

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Featured Q&A

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Alone Amorim, economist, and Veridiana Alimonti, attorney, at IDEC, the Brazilian Institute for Consumer Defense: "In Brazil, expectations for growth of mobile payments intensified after the National Monetary Council and central bank approved the regulatory framework last November. Besides the sector regulation, growth may also occur because of the greater infrastructure integration in communications technology and financial information security. The integration of mobile payment arrangements with the Brazilian Payments System (SPB) will submit the companies operating in this segment to the central bank's surveillance and monitoring system. This will reduce the risk of legal uncertainty and stimulate the development of safer business models. Along with the implementation and completion of the standards, there must be actions that orient the population to the proper use of mobile payments and how careful they should be in such transactions. There are already many mobile payment systems in operation, even before the regulation. Although we still face considerable problems in quality access of the Internet, Brazil has a high penetration of prepaid cell phones, and the banking system is developing applications so as not to lose ground in this segment. Growth that leverages mobile services, with economies of scale that allow the reduction of transaction costs is expected, along with greater banking inclusion."

Wally Swain, senior vice president for emerging markets at The Yankee Group in Bogotá: "We predict that smartphone penetration in Brazil will continue to rise with about 50 percent of phones sold this year being smartphones. This will bring more sophisticated banking apps and continue the trend toward mobile banking adoption. Brazilian banks have led Latin America in encouraging mobile banking since the beginning of this century, so the supply side will do its part as well. The risk of a security breach is present but is probably no greater than in other countries. The only concern is Latin American consumers' low awareness of risk. That means that the first incidents could have a larger impact on adoption than if they had occurred in say the United States or if governments and industry had invested more in awareness and mitigation."

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

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