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FEATURED Q&A

How Well Do Latin American Banks Protect Against Cyberattacks?

Q More than half of Latin American financial institutions have experienced some type of electronic breach of their secure information within the past 12 months, according to a recent study by Deloitte. Financial institutions in Colombia and Peru have had the largest quantity of such incidents, while Guatemala and Mexico have had the lowest. Why have Colombian and Peruvian financial firms experienced so many attacks? How adequate are Latin American banks' safeguards against such incidents? What additional steps should financial institutions in the region take in order to protect their information and their customers' assets?

A Gabriel Sanders, vice president for Latin America sales at Trustwave: "In Latin America, bank fraud and Internet banking security have always been serious issues. When it comes to cyberattacks, any financial institution could be a hotspot as the underground criminal market is becoming more profitable every day. In many countries of the region, you can find a mature and advanced financial system, which other countries often use as a model. However, that doesn't mean they're safe from breaches. Rapidly evolving and changing threats can also make it more challenging for financial institutions to apply the correct safeguards and mitigate risk. Financial institutions need

to implement a multi-layered security strategy. It begins with a risk assessment to help identify where their data lives and moves. We recommend automated vulnerability scanning across all of their networks, applications and databases followed by penetration testing for their most critical assets. Financial institutions should also deploy technologies to protect all attack vectors. And, most importantly, financial institutions like many other businesses, often find they do not have enough manpower and skillsets to install,

Continued on page 3



Banco do Brasil Beats Estimates With 14% Profit Rise

Banco do Brasil, headed by Chief Executive Officer Aldemir Bendine, on Aug. 13 beat analysts' estimates in reporting that its profit for the second quarter rose 14 percent year-on-year. See brief on page 2.

File Photo: Banco do Brasil

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FINANCIAL SERVICES BRIEFS

Banco do Brasil Reports 14% Rise in Second-Quarter Profit

Banco do Brasil announced Aug. 13 that its second-quarter profit rose 14 percent, beating analysts' estimates, Bloomberg News reported. Latin America's largest bank by assets said its adjusted net income, which does not include one-time charges, rose to 3 billion reais (\$1.31 billion) from 2.63 billion reais in the same quarter a year ago. In a Bloomberg survey, analysts had expected, on average, 2.54 billion reais in net income.

Financial Fraud a Growing Problem in Jamaica: Report

Financial fraud is a growing problem in Jamaica and has amounted to thefts of some \$58,000 this year through May, the *Jamaica Gleaner* reported Aug. 10, citing figures from the country's Organized Crime Investigation Division. Obtaining money under false pretenses, fraudulent conversion and debit-card fraud are the most common means of theft, the newspaper reported. A top banking sector official on the Caribbean island called fraud "one of the few growth industries in Jamaica," according to the *Gleaner*.

Itaú Sees Little Room for Higher Borrowing Costs in Brazil

Itaú Unibanco Holding does not think there is room for continuing to raise borrowing costs for most segments of credit in the Brazilian economy, Marcelo Kopel, the company's senior vice president for risk and compliance, said on a call with investors on Aug. 6, Reuters reported. Koppel said Itaú expects net interest income, revenue from banking activities not including loan-loss provisions, to continue increasing despite stable net interest margins, the average rate a bank charges on a loan.

Financial Services News**Investigators Probe Banks in Petrobras Money Laundering Case**

Investigators in Brazil have expanded their probe into alleged money laundering involving state oil company **Petrobras** to financial institutions, Bloomberg News reported Aug. 12. According to court documents, units of banks including

“My experience is there's usually no big money laundering operation without someone behind it from a financial institution.”

— *Carlos Fernando Lima*

Citigroup, Banco Santander, HSBC Holdings, Itaú Unibanco and Banco Bradesco are included in the investigation. The banks either declined to comment to Bloomberg News or said they are adhering to compliance requirements. The case involves cash from Brazilians who were allegedly trying to evade taxes, in addition to revenues from drug trafficking and money alleged to have been embezzled from Petrobras contracts, the news service reported, citing police officials and court documents. Prosecutors are examining bank documents, according to Prosecutor Carlos Fernando Lima. "Institutions have a civil responsibility for all of their clients," Lima told Bloomberg News in an interview. "My experience is there's usually no big money laundering operation without someone behind it from a financial institution. It's too much to go unnoticed." Lima added that prosecutors are "facing some difficulties" in gaining banks' cooperation because, "they are not providing the data with the required speed and detail." According to court documents that contain details of a police investigation as well as wire taps and other sources, banks and brokerages allegedly established accounts, transferred

money or both for alleged front companies involved in the matter. Petrobras did not respond to requests from the news service for comment.

Ecuador, Movistar Sign Agreement to Allow Mobile E-Money Payments

Ecuador's central bank and **Telefónica** unit **Movistar** have signed an agreement that will allow Ecuadoreans to pay for goods and services using their mobile phones, EFE reported Aug. 8. The e-money system is still being developed, but is expected to be implemented by the end of this year, central bank chief Mateo Villalba told reporters. The aim is to "facilitate economic transactions for all Ecuadoreans," in particular "those who don't have an account in the financial system and deserve to be included in the network of payment circuits," said Villalba. With the e-payment system, consumers will be able to pay for goods and services from accounts they hold at the central bank.



Villalba

File Photo: Ecuadorean Central Bank.

Ecuador's government-owned **CNT** mobile phone division is already part of the deal, and the central bank also wants to bring the country's top mobile phone operator, **América Móvil** subsidiary **Claro**, into the system. Although e-money systems are private businesses in other countries, the system is being run as a non-profit public initiative in Ecuador, said Villalba. He added that the central bank wants to make the system as inexpensive as possible for consumers. "It's a public service and the central bank will assume part of those costs so the fee is the lowest possible for the public," he said. Telefónica-Movistar head José Manuel Casas signed the deal with Villalba and said the initiative will benefit consumers. "Digitization of the basic activities of daily life," like buying goods

and services, provides an "excellent opportunity to expand access to banking to the least privileged classes," said Casas. Movistar's participation will open the e-money service to its more than 5 million customers in the South American country, said Casas.

Slim's Inbursa Rallies Amid Growth in Lending

Shares of **Grupo Financiero Inbursa** have been trading at record levels as investors expect that the bank will see continued growth in lending amid an economic recovery in Mexico, Bloomberg News reported Aug. 11. The Mexican bank, which is controlled by billionaire Carlos Slim, has experienced a 14 percent rally this year in its shares as personal loans more than doubled in the second quarter, while credit-card lending and auto loans also grew. Loan repayment levels have also improved after Inbursa completed restructurings of earlier deals. The bank now has 324 branches after adding 18 in the past year, Frederic De Mariz, an analyst at **UBS** in São Paulo, told Bloomberg News in a telephone interview.



Slim

File Photo: Carlos Slim Foundation.

Brazil's Banco BMG to Pay off \$4.4 Billion in Debt

Brazil's **Banco BMG** is planning to pay off approximately 10 billion reais (\$4.4 billion) in debt and other liabilities by the end of next year, Chief Executive Officer Antonio Hermann de Azevedo told Bloomberg News in an interview Aug. 7. The bank also intends to move its payroll-lending book to a joint venture that it created in 2012 with **Itaú Unibanco Holding**. The bank is planning to redeem 1.51 billion reais in certificates of deposit and 3.34 billion reais in local bonds that have guarantees from Brazil's FGC deposit-insurance fund, said Azevedo. The bonds were issued through programs that were intended to strengthen mid-

Featured Q&A

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update, monitor and manage their security technologies so that they are continuously working properly and defending against the latest threats. If that's the case, they should augment their in-house IT teams by partnering with a third-party team of experts whose sole responsibility is to manage their security. This kind of partnership also gives them more time to focus on other revenue generating priorities."

A **Marcela C. Blanco, associate attorney at Diaz, Reus & Targ LLP:** "Colombian financial firms have experienced electronic breaches because of the low level of cybersecurity awareness, which precipitates unsafe online habits, causing vulnerable Internet users to be defrauded. Additionally, cybercriminals have become smarter, better organized and more persistent. Common gaps in IT security policies for financial institutions include malware, access to sensitive data using non-approved computer systems, an avalanche of new applications and the increase of downloading of third-party business applications. Also, exponential growth of mobile devices drives an exponential growth in security risks. Every new smart phone, tablet or other mobile device opens a new window for a cyber-attack. Insufficient police training on advance attacks and difficulties in preserving and examining digital evidence are significant impediments to stopping cybercrime in Colombia. However, the country has taken steps to combat cybercrime. For example, Colombia approved a cybersecurity and defense policy in 2011, becoming the first country in Latin America to adopt a national strategy to tackle cybercrime. To improve cybersecurity, Colombian financial institutions must know the channels through which all of their information assets are accessed. Nowadays, it is not enough to secure the IT perimeter; it is necessary to secure the data wherever it travels and wherever it lives. Second, financial institutions must clearly define cybersecurity

governance structures, including specific oversight responsibilities. Usually, management responsibility and accountability are dispersed and fragmented in finan-

“Every new smart phone, tablet or other mobile device opens a new window for a cyberattack.”

— *Marcela C. Blanco*

cial institutions. Third, financial institutions should extend security to the device level as well the application layer. And, finally, financial institutions must check and double check users' identity and implement stronger identity-management methods."

A **Wally Swain, senior vice president for emerging markets at 451 Research in Bogotá:** "I think Colombians would be shocked to hear that their financial institutions have the highest number of electronic breaches because it is a non-issue in the press and with politicians. I am by no means denying the statistics, but merely saying is not top-of-mind. Colombians, their banks and their politicians tend to focus on what might be thought of as routine identity fraud, hence the widespread use of fingerprints on official documents and the infuriating necessity of going to a bank branch in person for what would be an electronic or telephone transaction anywhere else. I believe bank security departments and bank regulators are more focused on fraud at the point of withdrawing money and less focused on preventing the breaches that permit such fraud to occur. The top five banks in Colombia are Colombian, and so I also wonder whether they have learned enough about the importance of breaches and how to prevent them. By contrast, the Mexican

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sized banks in 2008 during the global financial crisis.

Insurance News

MetLife Colombia to Offer Unemployment Insurance

MetLife Colombia has expanded into the unemployment insurance market in a move it says is aimed at the self-employed and those with the financial backing to meet their obligations in the event of job loss, *La República* reported Aug. 6. The insurance will apply in certain cases of mutual or unjustified termination. Company president Santiago Osorio Falla said the move will help protect the financial stability of workers and their families.

Political News

Brazil's Silva to Replace Campos as Presidential Candidate

The Brazilian Socialist Party, or PSB, will name Marina Silva as its presidential candidate to replace Eduardo Campos, who was killed in an Aug. 13 plane crash, *The Wall Street Journal* reported Aug. 16. Silva is a former environment minister who had been Campos' running mate and made a



Silva

File Photo: Brazilian Government.

strong showing in the country's last presidential election. On Aug. 15, PSB leaders told Silva that they wanted her to run, and she accepted, Ricardo Young, a São Paulo city council member, told the newspaper. "The party has some internal procedure it wants to follow to announce it, but the main leadership has confirmed it," said Young. The PSB leader in the Senate told Brazilian daily newspaper *O Globo* that the party had chosen Silva and was working on selecting her running mate. Silva joined Campos' ticket after she failed to gather enough signatures on a petition to register her own party for the Oct. 5 presidential election. In the 2010 presidential

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Selected Speakers

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José Luis Rodríguez,
Former Economy Minister of Cuba

Laurent Lamothe,
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Marco Aurélio Garcia,
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Keiko Fujimori,
Fuerza Popular, Peru

Eleodoro Mayorga,
Minister of Energy, Peru

Carlos Saladrigas,
Chairman and CEO, Regis HR Group

Jennifer Riria,
CEO, Kenya Women Holding Co.



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contest, Silva finished third, but garnered nearly 20 percent of the vote. The PSB's executive board will meet Wednesday in Brasília to make Silva's selection official, said Senator Rodrigo Rollemberg, Bloomberg News reported. The meeting will happen one week after Campos and six others were killed when their Cessna crashed in the city of Santos. In the first voter poll published since the crash, Silva and President Dilma Rousseff appear technically tied in the event of a runoff. The **Datafolha** poll, published Monday by *Folha de S. Paulo*, shows that Silva would have 47 percent support as compared to 43 percent for Rousseff, a difference within the poll's margin of error. In a matchup between Rousseff and Senator Aécio Neves, Rousseff would garner 47 percent of the votes to Neves' 39 percent, the poll found. In the first round, Rousseff has 36 percent support as compared to 21 percent for Silva and 20 percent for Neves, according to the poll of 2,843 people, which was conducted Aug. 14-15. Before his death, Campos was trailing both Rousseff and Neves. If no candidate wins more than 50 percent of the vote in the first round on Oct. 5, a runoff will be held on Oct. 26. Silva has refused to confirm to reporters whether she will run. On Sunday, tens of thousands of Brazilians gathered in the city of Recife to bid farewell to Campos, Reuters reported. Mourners waited in line for hours to pay their respects at his coffin. Several prominent Brazilians, including Rousseff and former President Luiz Inácio Lula da Silva attended Campos' open-air funeral Mass. [Editor's note: See related [Q&A](#) in the Aug. 15 issue of the Dialogue's daily *Advisor*.]

WikiLeaks' Assange Says He'll Leave Ecuadorean Embassy 'Soon'

WikiLeaks founder Julian Assange, who has been in a self-imposed exile for two years in the Ecuadorean Embassy in London, said Aug. 18 that he will leave the embassy "soon," Bloomberg News reported. In a press conference that was broadcast on the Internet from the embassy, Assange said the building "has no outside areas, no sunlight." Assange, an Australian national, has lived inside the embassy

since June 2012 and risks arrest the moment he steps outside it. However, he said recent changes to Britain's extradition law might help him remain in the country. He sought asylum from the South American country in an effort to avoid extradition to Sweden, where he faces questioning on rape and sexual molestation charges that he denies. Assange has said that he fears Sweden would allow his extradition to the United States over WikiLeaks' release of secret government documents.

Economic News

Chile Posts 1.9% Growth With Several Sectors Weakening

Chile's economy grew 1.9 percent year-on-year in the second quarter, with several sectors reporting weaker growth, the central bank said Monday, *The Wall Street Journal* reported. The report was in line with the growth analysts had been expecting and confirmed that the South American country's economic expansion is easing. Last year, Chile's gross domestic product grew 4.1 percent. For this year through June, the economy grew



Vergara
File Photo: Chilean Central Bank.

2.2 percent, according to the central bank, which added that gross domestic product grew 0.2 percent in the second quarter as compared to the first. Aside from fishing, electricity, gas and water, the economy's performance in the second quarter was anemic, with notably weak performances in manufacturing and mining. In addition, the central bank, which is led by Rodrigo Vergara, said domestic demand declined by 0.9 percent year-on-year in the second quarter as investments fell by 8.1 percent. On Aug. 14, central bank policymakers lowered the benchmark monetary policy rate by a quarter point to 3.5 percent in an effort to spur growth. Analysts expect further cuts.

POLITICAL & ECONOMIC BRIEFS

Three Members of Pope's Family Killed in Argentina Car Crash

Three members of Pope Francis' extended family were killed early Tuesday in a car crash in Argentina, CNN reported. A car being driven by Emanuel Horacio Bergoglio, the pope's nephew, collided with a truck on a highway in Córdoba, according to a police spokeswoman. Bergoglio's sons, eight-month-old José and two-year-old Antonio, were killed, as was the boys' mother, Valeria Carmona, 36. Bergoglio was hospitalized in critical condition.

Victims of Colombian Armed Conflict Join Peace Talks

For the first time, a group of victims has joined the peace talks between Colombia's government and the FARC rebels, which have been occurring since late 2012, BBC News reported Aug. 16. During a press conference in Havana, the group of 12 victims said negotiators listened to their stories with a great deal of respect.

Peru's Economy Rebounding Due to Stimulus: Finance Minister

After recording its slowest growth in four years, Peru's economy is rebounding due to government stimulus measures, Finance Minister Miguel Castilla said Aug. 14 at an event in Lima, Bloomberg News reported. The country's gross domestic product will rise 5 percent in this year's second half after increasing a "disappointing" 3.3 percent in the first six months of the year, Castilla said, reiterating his forecast for growth of 4.5 percent for the year. The government of President Ollanta Humala last month boosted stimulus measures to the equivalent of 1.6 percent of gross domestic product.

Featured Q&A*Continued from page 3*

banking system (which had a lower number of breaches) is dominated by large international banks, which have a broad base of operations in different countries with broad exposure to a range of attacks. I believe that the institutional learning is faster in such multinational banks than in banks with more limited geographic scope."

A **Richard Child, member of the Financial Services Advisor board and CEO of Matrix Group:** "It is difficult to cast an educated opinion on the reasons why banks have or not suffered security breaches and cyberattacks without knowing more about the banks' infrastructures and the type of attacks undertaken. Having said that, banks in Latin America are increasing their investments in security applications and policies as well as human resources. Traditionally, security and risk management practices were more of an oversight and reactive practice. Today, banks and other financial institutions are incorporating busi-

ness and security intelligence in their business development and management initiatives, allowing for real-time man-

“Banks in Latin America are increasing their investments in security applications and policies as well as human resources.”

— *Richard Child*

agement and detection of risk. Will this eliminate intrusions? Given the experience in the United States, most likely not, but illegal access and activity should be substantially curtailed."

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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