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THEDIALOGUE

FEATURED Q&A

How Important Is Mobile Tech to the Region's Banks?

Although mobile banking has grown in the region, laws are still inadequate for the technology, Melissa X. Diaz and Arti Sangar of Diaz, Reus & Targ say below. // File Photo: Pixabay.

Q Mobile banking in Latin America increased 8 percentage points last year as compared to 2013, according to a report by security provider Easy Solutions. According to the report, 47 percent of those who conducted no mobile banking cited fear of fraud as their reason for not conducting transactions with their mobile devices. How important is mobile banking to Latin American financial institutions, and how much is the technology helping to boost profits? Do Latin American financial institutions have adequate security safeguards to protect their customers? Will growth of mobile banking in the region continue at its current pace?

A Luis Chipana, analyst at Celent: "Apps help move transactions away from higher cost channels, which has been the banks' strategy since the appearance of ATMs. Digital, particularly supported by mobile banking, is also a reaction to better serve millennials, who will be an important segment of customers in the future to come. Bankaool in Mexico and Banco Galicia in Argentina with their Move digital offering to young university students is a good example of this. In 2015, Celent conducted research looking at the apps of the top 10 Latin American banks, and found that all of them except one offered an app. The one that didn't now currently offers a mobile experience through Web responsive design. iOS and Android are the preferred platforms, with a few banks offering apps for Blackberry and Windows smartphones. Most of the banks offer apps in more than one platform, though not the same functionality across them, mainly due to prioritization and resource limitations. The most common functionality includes

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Gov't Creating Panel in Wake of 'Panama Papers'

Panamanian President Juan Carlos Varela announced that his government would create a panel of international experts to improve transparency in the country's financial sector.

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Fiat Chrysler Investing $500 Mn in New Plant

The automaker said it is revamping its factory in Córdoba for the production of a new model. The plant is to begin production of the model next year.

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POLITICAL

Rousseff Comes a Step Closer to Impeachment

Brazilian President Dilma Rousseff came a step closer to being impeached as federal Deputy Jovair Arantes, the head of a committee set up to weigh the charges against her recommended that lawmakers go forward with the process.

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Arantes // File Photo: Brazilian Government.

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POLITICAL NEWS

Gov't Creating Panel in Wake of 'Panama Papers'

Panama's president announced Wednesday that the government will create a panel made up of international experts in an effort to improve transparency in the country's offshore financial industry, BBC News reported. President Juan Carlos Varela's announcement came in the massive "Panama Papers" data leak, which named heads of state, sports figures and other celebrities among the clients of law firm Mossack Fonseca. The documents detailed

Varela // Photo: Panamanian Government.

how the law firm helped clients conceal money in offshore accounts. "The Panamanian government, via our foreign ministry, will create an independent commission of domestic and international experts," Varela said in a televised address. Varela added that the panel would study working practices and propose measures that could improve transparency in the Central American country's financial and legal systems. Mossack Fonseca has said it is a victim of computer hacking in the leak of more than 11 million documents spanning from 1977 through 2015. The law firm added that it has filed a complaint with Panama's attorney general's office. A partner and founder of the firm, Ramón Fonseca, previously served as a minister in Varela's government but stepped down earlier this year after allegations were leveled against Mossack Fonseca in connection with the massive corruption scandal at Brazilian state-run oil company Petrobras. The law firm's Brazilian unit was accused of helping people implicated in the Petrobras case to open offshore accounts in order to launder money. Fonseca has denied wrongdoing and said he stepped down from his government post "to defend my honor and my firm," BBC News reported. Panamanian media reports have quoted Varela saying that he is still in touch with Fonseca and considers him a friend. Another of the law firm's founders, Jürgen Mossack, defended the firm, saying it did nothing wrong and cannot control how the shell companies it creates are used, The Wall Street Journal reported today.

Brazilian Lawmakers Move Closer to Impeaching Rousseff

Brazilian President Dilma Rousseff came a step closer to being impeached on Wednesday as the head of a congressional committee set up to examine the allegations against her recommended that legislators proceed with the process that could remove the president from office, The Wall Street Journal reported. "There is serious evidence of illegal conduct of the president," legislator Jovair Arantes wrote in the report. "This shows serious enough [acts] to authorize the installation of an impeachment process." Rousseff is accused of using loans from government-owned banks in order to illegally conceal a budget deficit, an allegation that Rousseff denies. Rousseff's office declines to comment on Arantes' report, but a top cabinet member, Secretary of Government Ricardo Berzoini disputed the report, saying, "There is no crime to support impeachment."

BUSINESS NEWS

Fiat Chrysler to Invest $500 Million in Argentina Plant

Italian-U.S. automaker Fiat Chrysler Automobiles, known as FCA, on Wednesday announced

NEWS BRIEFS

Mexico Changes Top Envoys Responsible for Relations With U.S.

The Mexican government on Tuesday changed two of its top diplomats responsible for U.S. relations, citing concerns of increasingly anti-Mexican attitudes across the border, Reuters reported. Carlos Sada, who had previously been the consul in Los Angeles, has been named ambassador to the United States. Paulo Carreño, one of Mexican President Enrique Peña Nieto's communication chiefs, was appointed deputy foreign minister for North America. The new ambassador must be approved by the Mexican Senate. Mexican officials have expressed concerns about anti-Mexico rhetoric from Republican presidential candidate Donald Trump.

Puerto Rico Bond Prices Reach Record Lows

Some Puerto Rico bond prices have reached record lows after Governor Alejandro García Padilla signed a bill that would allow the island to delay debt payments while it waits for federal help to deal with the commonwealth's financial crisis, The Wall Street Journal reported Wednesday. The bill allows García Padilla to suspend debt repayment in order to allow government funds to continue paying for essential services. Under the bill, the governor could decide whether to pay debt on an "entity-by-entity basis."

Venezuela's Maduro Declares Fridays Holidays

Venezuelan President Nicolás Maduro late Wednesday declared all Fridays for the next two months to be holidays in an effort to save energy in the economically troubled country, Reuters reported. A severe drought, coupled with what Maduro's opponents say is a lack of investment in energy infrastructure, has led to blackouts in Venezuela.

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account information, bill pay, transfers, location services, customer service, important links and fidelity programs. Latin American banks are also taking advantage of mobile as they implement electronic wallets to target unserved or underserved segments, with financial inclusion in mind, but also as a means of digitalizing payments. Simplified accounts, deposits, withdrawals, money transfer and bill payment are some of the features available. Celent expects in the near future in Latin America to see mobile banking incorporating features around gamification, voice recognition, social media, personal financial management tools, and remote deposit capture."

Melissa X. Diaz, associate attorney, and Arti Sangar, partner, at Diaz, Reus & Targ, LLP: "Given that Latin America boasts a fast-growing population of smartphone and tablet users, mobile banking in the region will soon be a necessity rather than just an option. Financial institutions in Latin America are also very keen to gain a good return-on-investment by adopting mobile banking as the default channel for banking. Most international banks have already developed advanced technology to protect customers' accounts, including effective ways to track suspicious activities for this new channel. It is expected that local banks in the region will also adopt the same standards to evolve rapidly to match up with the demand for mobile banking. Clearly, banks in Latin America, like many other emerging markets, should consider adopting mobile banking to transform their business models and boost their profits and customer satisfaction. On the face of it, all the conditions appear to be in place, but banks have yet to demonstrate an understanding of the new technology to those who are currently unbanked, or use other remittance channels. Additionally, because the existing laws were made to facilitate the traditional paper-based business environment, the current legal environment in Latin America is still inadequate for mobile banking. Governments and financial regulators would therefore need to collaborate to establish the necessary oversight and supervision frameworks to ensure that security and privacy concerns of the users are adequately addressed, and customers are protected against abuse and fraud. Additionally, legislative policies, including consumer protection frameworks, need to be aligned to encourage customer acceptance of this novel financial product. Despite all the challenges, we can expect that the dust will eventually settle down, allowing for Latin America to further open up to mobile banking."

> **"Mobile banking in the region will soon be a necessity rather than just an option."**
> **— Melissa X. Diaz & Arti Sangar**

Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach: "Mobile banking is proving to be the answer to low rates of banking usage in emerging markets in general and in Latin America in particular. With only 48 percent of Latin American consumers having bank accounts, financial institutions have a real opportunity to acquire customers. As all consumers in the region become increasingly digitized, banking will certainly grow through digital means. Indeed, the growth in online users from 2000-2009 in Latin America was 883 percent, according to Havas. And while security is a serious concern, as more applications come into the market to prevent hacking or data prowling, consumers—particularly those deriving their

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a $500 million investment in Argentina for its plant in Córdoba to produce a new vehicle for the Latin America market, The Detroit News reported. The plant is scheduled to begin production on the vehicle in the second half of 2017, and will produce more than 100,000 vehicles per year, FCA said. "This plant will operate using the most advanced technologies available to FCA today," CEO Sergio Marchionne said in a statement. "This choice demonstrates a major strategic change, giving the Córdoba plant a central role in FCA's industrial activities in Latin America." Marchionne was joined by Argentine President Mauricio Macri and other government officials for the announcement, which was made at the company's Ferreyra plant in Córdoba. The investment from FCA will include funding to retool the facility, install more than 150 robots in the body shop, and will fund supplier development and training and research development. The company gave few details as to the model of vehicle that would be built. FCA said the investment coincides with the Argentine government's guidelines for the automotive sector, which focus on increasing local integration and improving competitiveness.

Enel Hooks 79 MW Photovoltaic Plant to Chile's Grid

Italian renewables company Enel Green Power said Wednesday it had connected its 79-megawatt Pampa Norte solar photovoltaic plant, located in Chile's Antofagasta Region, to the grid, SeeNews reported. A long-term power purchase agreement between Enel and Chile's Central Region Interconnected System is in place. The solar park cost $150 million to build and has a capacity to generate over 200 gigawatt hours per year, the equivalent of the energy consumption needs of approximately 100,000 Chilean households. Enel's Chilean unit currently operates 340 megawatts of wind parks, 253 megawatts of solar plants and 92 megawatts of hydropower facilities in the country, and has more than 500 additional megawatts of projects in execution.

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income from informal activities—are putting these concerns to rest. What I believe to be lacking is more dynamic and assertive marketing campaigns on the part of banks and financial institutions to attract the continuously growing demographic of middle class consumers in the region. Campaigns that reach consumers through digital means with financial education content and free mobile banking applications could prove to accelerate what seems to be the chosen way of emerging middle classes in the region to step into modernity."

Wally Swain, senior vice president for emerging markets at 451 Research in Bogotá: "The statistics are probably more dramatic if broken down between Brazil and the rest of Latin America. Brazil has had mobile banking services for many more years than the rest of the region and so its adoption has to be much higher. Maybe Brazilians have less fear for being more familiar, but I think there is still a solid core of skeptics throughout the region about the security of mobile transactions. Much mobile data usage in Latin America is over public WiFi, and there are always concerns about the security of such transmissions. Banks plead with customers to use their Internet platforms even over secure WiFi and fixed broadband, but the lines are still long outside bank branches at the end of the month. And security may not be a concern about interception, it may be a concern that the other side of the transaction pockets the money and still claims the bill wasn't paid. In the bank, there is a comforting piece of paper that is machine-franked or even with an old fashioned rubber stamp that says 'Paid In Full'. Banks probably have enough security machinery in place. They may need to advertise it more (in a subtle way) so that awareness increases. But issues may be generational, and only time will fix that."

> **"Issues may be generational, and only time will fix that."**
>
> **— Wally Swain**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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