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## FEATURED Q&amp;A

## Is Cashless Technology Taking Hold in Mexico?



Mexico's National Policy for Financial Inclusion has development of financial technology as one of its aims. // File Photo: HLundgaard via Creative Commons.

**Q** Mexico's government in June launched its National Policy for Financial Inclusion, which includes a push for the development of financial infrastructure and the better use of technological innovation in financial services. To what extent are Mexican consumers embracing new technologies and reducing their use of cash? To what extent have past efforts to boost financial inclusion succeeded in Mexico, and where have they fallen short? How much "disruption" could we expect to see in Mexico's financial services industry in the years ahead, and how will that affect traditional bank operations?

**A** Manuel Orozco, director, and Laura Porras, associate, of the Migration, Remittances and Development Program at the Inter-American Dialogue: "Mexico has progressed successfully to promote financial access through several means. It has modernized access to financial institutions through the creation of BANSEFI, legislated corresponding banking to expand availability of services, supported the creation of products that respond to customer needs (including the 'cuenta de expediente simplificado'), and strengthened the use of new technologies through this policy. As a result, financial access has increased by more than 10 percent, from 28 percent in 2002 to 40 percent in 2015. The policy on new technologies and mobile banking could place Mexico at the forefront of a small group of Latin American countries. A quick start on this effort is important, since many decisions have to be made and will likely take time. From a financial inclusion perspective, increasing services for a limited group is only part of the answer. Working to promote adequate and broad adoption, however, is key.

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## TOP NEWS

## FINANCIAL SERVICES

### Brazil Probing Panama's FPB Bank

Brazilian police seized documents and questioned suspects in an investigation of Panama-based FPB Bank in connection with the corruption scandal at state-run oil company Petrobras.

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## INSURANCE

### RSA Completes Sale of Uruguay Operations

London-based RSA Insurance Group has completed the sale of its operations in the South American country to Suramericana.

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## REMITTANCES

### Western Union, Walmart Strike Deal in Mexico

Western Union will be offering money transfer services at several new locations affiliated with Walmart in Mexico. Western Union's Odilon Almeida said the deal represents a "powerful value proposition" for customers.

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Almeida // File Photo: Millicom.

## FINANCIAL SERVICES NEWS

## Brazilian Authorities Investigating Panama's FPB Bank

Brazilian police seized documents and questioned suspects on July 7 in an investigation of Panama's FPB Bank, which allegedly worked with the "Panama Papers" law firm to funnel money out of Brazil in connection with the massive Petrobras corruption scandal, Reuters reported. Police said FPB is under investigation for alleged "financial crimes, laundering of assets and transnational criminal organization," saying it offered private banking services without the authorization of Brazil's central bank. Offshore companies registered with Panama-based law firm Mossack Fonseca allegedly helped FPB Bank funnel clients' money out of Brazil, police said. "Staff of the Panama-based bank in Brazil not only maintained a clandestine operation but also ensured their clients' anonymity by using offshore," federal prosecutors alleged. An FPB executive, Edson Paulo Fanton, was taken into custody for questioning. In a statement, the lender said, "FPB Bank Inc. does not have any links to the 'Operation Car Wash' in Brazil and is not a client or intermediary of Mossack & Fonseca," calling any allegations that the bank is involved in the scandal "erroneous." Prosecutors say they have identified 44 offshore companies that have been registered by Mossack Fonseca at FPB's request. A central bank spokeswoman said FPB is not authorized to operate in Brazil.

## Citi Closing Venezuela's Foreign Currency Accounts

Citibank is planning to close the foreign currency accounts that it has with Venezuela's government, President Nicolás Maduro announced July 11, Reuters reported. "With no warning, Citibank says that in 30 days it will close the central bank and the Bank of Venezuela's ac-

counts," Maduro said in speech. "Do you think they're going to stop us with a financial blockade? No, gentlemen. No one stops Venezuela." The South American country's government has used New York-based Citibank for transactions in the United States and elsewhere, Maduro said. In a statement to the Financial Times, Citi confirmed that it was discontinuing some services in Venezuela. "Following a periodic risk management review in Venezuela, Citi



Maduro // File Photo: Venezuelan Government.

has decided to discontinue correspondent banking and the servicing of certain accounts in the country," Citi said. "This decision is not a reflection of our commitment to a country we have served for almost 100 years. We value our dialogue with the President's administration and hope to address its concerns in the interest of continuing to serve our clients." Several foreign companies have recently pulled out of Venezuela, which is facing shortages of several basic goods, along with triple-digit inflation and a scarcity of dollars. Critics of Maduro and of his late predecessor, Hugo Chávez, have said the government's policies have led the country to economic ruin. Maduro has blamed the government's opponents and businesses, saying they have waged an "economic war" against the government, Reuters reported.

## Caribbean Leaders Plan New Push on De-Risking Trend

Caribbean Community leaders are planning to hire a U.S.-based lobbying firm to convince international banks to reconsider ending banking relationships with local financial institutions in the Caricom region, the Jamaica Gleaner

## NEWS BRIEFS

## RSA Completes Sale of Uruguay Operations

London-based RSA Insurance Group has completed the sale of its operations in Uruguay to Suramericana, the insurance subsidiary holding of Grupo de Inversiones Suramericana, the company said in a statement July 4. The sale was first announced on Sept. 8 of last year, and its completion concludes the disposal of all of RSA's Latin American businesses. RSA had previously had operations in Brazil, Colombia, Chile, Argentina and Mexico, which have all been sold this year, as well.

## Uber Bypasses Buenos Aires Debit Card Block Through Bitcoin Startup

Ride-sharing company Uber Technologies and bitcoin wallet provider Xapo have entered an agreement in an effort to circumvent Buenos Aires banks' block on debit-card charges to Uber, Bloomberg News reported July 7. Xapo provides customers a digital wallet tied to bitcoin, the digital currency that is unregulated by banks or governments. Uber does not accept bitcoin for payment, but riders can pay for rides using Xapo cards, which can be funded with bitcoins, said Uber spokesman Matt Kallman. Uber has faced tough opposition from taxi drivers in markets it has attempted to enter.

## Caixa Econômica Federal Seeking to Raise \$1.2 Bn

Caixa Econômica Federal, Brazil's second-largest bank, is returning to the asset-backed security market after a two-year absence, in hopes of taking advantage of investors' rising appetite for risk, Bloomberg News reported July 8. Caixa plans to raise as much as \$1.2 billion worth of securities for a fund it manages. The proceeds will be invested in payroll loans made by Banco BMG, which are linked to credit cards issued to beneficiaries of Brazil's pension system.

reported July 6. Gaston Browne, the prime minister of Antigua and Barbuda, is leading Caricom's response to a "de-risking" trend that Caribbean central bankers say threatens the foundations of the correspondent banking system. "It is a serious risk, an existential risk



**Browne** // File Photo: Government of Antigua & Barbuda.

not only to Antigua & Barbuda, but to other Caribbean countries," Browne said Wednesday, the Antigua Observer reported. "It has implications for trade, for investments. It has humanitarian implications as individuals find it more difficult to remit funds to their loved ones in the Caribbean, many of whom are very vulnerable individuals," he added. The name of the lobbying firm was not cited in the report. Major banks have been ending their relationships with Caribbean basin financial institutions for fear of violating increasingly stringent financial crimes regulations. Caricom leaders, who met this week in Guyana for their 37th summit, are also planning to organize a major international conference later this year to draw attention to the de-risking issue. [Editor's note: See related [Q&A](#) in the Jan. 7 issue of the Latin America Advisor.]

## REMITTANCES NEWS

### Western Union, Walmart Strike Deal in Mexico

U.S.-based Western Union and Walmart de México y Centroamérica have agreed on a deal to offer international money-transfer services in several new locations in Mexico, Western Union said in a statement. Under the deal, the Englewood, Colo.-based money-trans-

## FEATURED Q&A / Continued from page 1

For example, correspondent relationships are not deep enough to promote inclusion. Only six of 84 correspondent banking relationships in place right now allow customers to open accounts, while 69 of them offer the ability to pay for an existing credit. Moreover, owning a bank account is only the first step to financial inclusion, whereas keeping and maintaining funds in the account is the centerpiece of inclusion. Currently, 50 percent of those who close their accounts do so because they believe they do not need them for payroll deposits. This shows that there is a need for financial education to encourage customers to maintain an account and build assets. In this sense, technology is only instrumental, but education remains foundational."

**A** Ruth Goodwin-Groen, managing director of The Better Than Cash Alliance: "Mexico showed strong progress on financial inclusion ahead of the recent launch of its National Policy for Financial Inclusion. Between 2012 and 2015, financial inclusion grew more than 20 percent from 35 percent of the adult population to 44 percent according to the National Financial Inclusion Survey (ENIF). Importantly, women today have greater access to financial services, especially in rural areas. The new policy recognizes that there is a huge opportunity for technological innovation to drive financial inclusion—nearly 75 percent of adults own a cellphone—and also a need to expand financial infrastructure to reach those who are still excluded. This backdrop

fer company will offer services under the Western Union, Vigo and Orlandi Valuta brands throughout the country. Customers will be able to execute transactions at 1,286 Bodega Aurrera, Mi Bodega Aurrera, Walmart, Superama and Suburbia stores in Mexico City and all of Mexico's states during store hours every day of the year, Western Union said. "Our expertise in the money transfer industry, coupled with

of success but even greater ambition is why Mexico's government is getting such a bright spotlight. To implement this visionary policy, Mexico's traditional banks together with mobile network operators and financial

“The new policy recognizes that there is a huge opportunity for technological innovation to drive financial inclusion....”

— Ruth Goodwin-Groen

innovators will need to come to the table with policymakers, regulators and other stakeholders to help the country overcome the barriers to inclusion and reduce the use of cash. Actions to promote the use of electronic payments are needed to address the limited ability to pay, get paid or send money digitally. Additionally, it will take multi-sector partnerships to ensure that digital financial services are affordable, safe, reliable, convenient and responsible so that Mexicans trust the system enough to adopt it broadly. These specific challenges and opportunities are addressed head-on in the new policy and it is why we, at The Better Than Cash Alliance, have been championing the government's vision in this policy. The future is clearly open for traditional banks or innovative disrupters, whomever is willing to collaborate with and respond to the government's inspiring priority of financial and social inclusion."

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Walmart's wide network presence in Mexico will offer a powerful value proposition for our customers," Odilon Almeida, Western Union's president for the Americas and the European Union, said in a statement. The services are expected to be operational during this year's third quarter. Walmart will continue to offer services of other money-transfer businesses at its stores in Mexico.

## POLITICAL NEWS

## Mexico's Attorney General Seeks to Block Possible Legal Shields

Mexico's federal attorney general's office on July 11 filed a constitutional challenge before the Supreme Court to block legislation in two states that critics say would shield several outgoing state governors and former public officials from facing prosecution on corruption-related charges, *The Wall Street Journal* reported. In a joint statement, a senior federal prosecutor and a spokesman for President Enrique Peña Nieto said the state legislation was in conflict with the national anticorruption system that had been approved last year. "No institution and no public servant, regardless of the level of government they serve, can be outside the law," said Assistant Attorney General Salvador Sandoval. Political opponents, analysts and state governors-elect have made corruption allegations against outgoing governors Javier Duarte of Veracruz state and Roberto Borge of Quintana Roo state. Both governors belong to Peña Nieto's PRI party. Within minutes of the statement, Duarte called on Veracruz legislators to cancel the creation of an anticorruption prosecutor, which critics had said would protect him and his associates from prosecution. "I will not send any other proposal," Duarte said on his Twitter account. A spokesman for Borge did not immediately respond to *The Wall Street Journal's* requests for comment.

## Peru's Kuczynski to Name Zavala Prime Minister

Peruvian President-elect Pedro Pablo Kuczynski said July 10 that he will name Fernando Zavala, a beer company executive and former finance minister, as his prime minister, *The Wall*

## LEGAL BRIEFS

### Del Monte Awarded \$32 Million in Pineapple Dispute Ruling Against Costa Rican Company

Del Monte International, a subsidiary of Fresh Del Monte Produce, said June 20 it was awarded more than \$32 million in damages, interest and other relief against Costa Rican produce giant Inversiones y Procesadora Tropical. The lawsuit settled a disagreement about Del Monte's "Gold Pineapples" variety which both companies had sold under a 12-year agreement, trade magazine *The Packer* reported. In 2013, the agreement was not renewed; however, Inversiones y Procesadora Tropical continued to produce and sell the "Gold Pineapples" despite the ownership belonging to Del Monte. The ruling was decided by the International Court of Arbitration of the International Chamber of Commerce. Del Monte, which is nearly the only legal buyer of gold pineapples, says it now has rights to almost all of the gold pineapple growing on Inprotsa's plantation.

### Minneapolis-Based Zelle Opens Miami Office

Minneapolis-based international litigation and dispute resolution firm Zelle opened a new Miami office on June 20 to expand its insurance and Latin America practice, the firm said in a statement. "Miami is a critical gateway city for our Latin America practice," said Kerry Brown, a Zelle executive committee member. Anaysa Gallardo Stutzman, formerly with Cozen O'Connor in Miami, will serve as managing partner. Also hired on for the expansion is Argentine counsel Daniel Baron and senior associate Christine Renella.

### Argentina Settles With Greylock Capital Management

Argentina's government on June 22 settled with Greylock Capital Management, one of the last bondholders to conclude its negotiations after more than a decade of the South American country's multi-billion-dollar debt restructuring impasse, *Law360* reported. The federal court-appointed mediator, Daniel Pollack, said the deal will see Greylock Capital surrender bonds worth \$68 million in exchange for \$95 million in cash, some 150 percent of the bonds' nominal value, Pollack said in a statement.

*Street Journal* reported. "He is a person with a lot of knowledge of what is going on in Peru and of public administration," Kuczynski, who takes office on July 28, told RPP Noticias radio. "He's seen as objective and I think his presence is going to be very positive." Zavala served as Peru's deputy economy minister at the same time that Kuczynski was finance minister during the administration of then-President Alejandro Toledo. After Kuczynski became prime minister in 2005, Zavala was named finance minister. Zavala left the government in 2006 and began working for subsidiaries of SAB-

Miller. He was named president of the brewer's Panamanian unit, Cerveceria Nacional, in 2009 and then became CEO of SABMiller's Unión de Cervecerías Peruanas Backus y Johnston, Peru's largest beer producer. The company controls 95 percent of the South American country's beer market, *Bloomberg News* reported. An economist, Zavala has a master's of business administration degree from Britain's University of Birmingham. In a posting on Twitter, Zavala said he was "honored" by being named prime minister, adding that he would be "committed to work for a better Peru," *The*

## NEWS BRIEFS

## Paraguayan Judge Sentences Farmers for Officers' Deaths

A judge in Paraguay has sentenced 11 subsistence farmers to up to 30 years in jail for the deaths of police officers during land reform protests four years ago, BBC News reported July 12. The six policemen died in a gunfight during an operation to evict the farmers from land they had been occupying; 11 protesters were also killed. The clashes occurred near the city of Curuguaty in Canideyú province.

## United Nations, European Union Condemn Killing of Honduran Activist

The United Nations and the European Union have condemned the murder of environmental activist Lesbia Yaneth Uruquía, who was killed in Honduras four months after award-winning environmental activist Berta Cáceres was murdered, United Press International reported July 10. The two women had worked together to protest a giant dam for years, a project which had caused the deaths of nearly 100 people in five years.

## Chile Cuts Growth Forecast, Projects Large Fiscal Deficit

The Chilean government cut its economic growth forecast for the year and predicted the second-largest fiscal deficit in 25 years, following a jump in unemployment to a five-year high and a slump in mining revenue, Bloomberg News reported July 11. GDP will only expand by 1.75 percent this year, compared with a forecast in March of 2 percent, Finance Minister Rodrigo Valdés told the Chilean Senate Monday. He said the fiscal deficit will widen to 3.2 percent of GDP this year from 2.2 percent last year and up from the previous estimate in February of 2.9 percent.

Wall Street Journal reported. As prime minister, Zavala will coordinate the administration's policymaking and also present Kuczynski's legislative proposals to Congress. Kuczynski has



Zavala // File Photo: Peruvian Government.

also named economist Alfredo Thorne, who worked for JPMorgan-Chase and the World Bank, as his finance minister. The incoming president has said that he will name the rest of his cabinet on July 15. [Editor's note: See [Q&A](#) on the challenges facing Kuczynski in the June 16 issue of the Advisor.]

## ECONOMIC NEWS

## Brazil's Interim Gov't Seeks to Lift Airline Ownership Cap

The government of Brazil's interim president, Michel Temer, is seeking to lift a cap on foreign ownership of Brazil-based airlines, Transportation Minister Mauricio Quintella told Reuters on July 11. The cap could be lifted through a presidential decree or an act of Congress, he

**Brazil currently caps foreign ownership of domestic airlines at 20 percent.**

said. Last month, Temer agreed to partially veto a measure that would have allowed foreign interests to own 100 percent of domestic airlines, leaving in place a restriction that caps foreign ownership at 20 percent. Temer agreed to the partial veto in order to keep legislators

from rejecting the entire measure, which included a provision to allow for the sale of state-run airport operator Infraero. "We will insist on 100 percent ... We have to think now about reopening the debate in the Senate," said Quintella.

## BUSINESS NEWS

## Venezuela Seizes Kimberly-Clark Factory

Venezuela's government announced on July 11 that it had seized a factory owned by U.S.-based paper products maker Kimberly-Clark. The company, headquartered in Irving, Tex., announced on Saturday that it was halting operations in Venezuela because of a lack of raw materials as well as currency troubles and skyrocketing inflation in the South American nation, The Guardian reported. Venezuela's labor minister, Oswaldo Vera, said Monday that the government would take over the factory, in central Aragua state, at the request of the plant's 971 workers. "Kimberly-Clark will continue producing for all Venezuelans and is now in the hands of the workers," said Vera, The Wall Street Journal reported. A Kimberly-Clark spokesman said Monday that the company was aware of the labor minister's order. The fall in the global price of oil, Venezuela's chief export, has resulted in a shortage of dollars for imports of food and raw materials for companies. At the same time Venezuelan currency controls have made companies unable to use local earnings to buy dollars. The situation has resulted in widespread shortages of numerous basic goods. The government's takeover of the Kimberly-Clark factory won't solve any problems, Henkel García, director of business consulting group Ecoanalitica in Caracas told The Wall Street Journal. "It doesn't matter who's running the factory," he said. "The bottom line is that there are no raw materials that anyone can afford to import." García said the factory takeover appeared to be a move by President Nicolás Maduro's government to attempt to show that it is addressing the country's crisis.

## FEATURED Q&amp;A / Continued from page 3

**A** **Gabriela Zapata Alvarez, Mexico-based financial inclusion specialist:** “Like everyone else, Mexican consumers are embracing new technologies for a number of purposes. However, the preference for cash to conduct financial transactions still prevails among the majority (92 percent) of the Mexican adult population, according to the 2015 National Financial Inclusion Survey by INEGI & CNBV. Measurable efforts to boost financial inclusion include regulation that allows risk-based tiered bank accounts, which simplifies account opening—an important move since transactional accounts are at the centerpiece of access to low-value payment services. While inroads have been made in the use of cards and mobile devices by the banked population, only 44 percent of Mexican adults have an account; 84 percent of whom have a debit card, greatly limiting the number of people who can transact digitally, according to the survey. Insufficient or inadequate infrastructure and connectivity have been key obstacles to the expansion of

financial services, as has been the informality of the labor force (only 10 percent of businesses is estimated to be formal), the survey

“**The preference for cash to conduct financial transactions still prevails among the majority ... of the Mexican adult population.**”

— Gabriela Zapata Alvarez

adds. There is great opportunity in product design and delivery via digital channels, but solid rails are needed for these offerings to ride on sustainably beyond the current frontiers of the limited banked population.

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## JOB POSTINGS

**EDITOR'S NOTE:** We are pleased to share Latin America-related job postings that readers of the Advisor and others have posted recently.

**Astellas Pharma:** Associate General Counsel, Latin America, Northbrook, Ill.

**DirecTV Latin America/AT&T:** Executive Director and Senior Legal Counsel, New York, N.Y.

**Airbnb:** Senior Counsel, Latin America, São Paulo/Miami

**Textron:** International Business Development Manager, Latin America, Miami

**United Way:** Director, Investor Relations, Latin America, Alexandria, Va.

**Ford Foundation:** Learning Officer, New York, N.Y.

**Inter-American Dialogue:** Country Coordinator in the Migration, Remittances and Development Program, Guatemala

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