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THEDIALOGUE

FEATURED Q&A

Is Peru Winning the Fight Against Financial Crimes?

Peruvian President Pedro Pablo Kuczynski signed a decree in November to strengthen the country's Financial Intelligence Unit in an effort to fight money laundering and other financial crimes. // File Photo: TV Perú.

Q Peru's government announced in November that it was strengthening the country's Financial Intelligence Unit in an effort to crack down on money laundering and crimes related to terrorism. The agency will now be able to request that judges lift bank and tax secrecy provisions when necessary and also will have broader authority to supervise individuals and organizations such as notaries, credit unions and travel agencies. How big is Peru's problem with money laundering, and will the new measures be effective in fighting that crime? How successful have Peru's past efforts to crack down on financial crimes been? What are the most important vulnerabilities in this area that Peru still must tackle?

A Carlos Arata, partner in the corporate practice at Rubio Leguía Normand in Lima: "During the last few decades, Peru has struggled in its fight against different kinds of crimes associated with money laundering, such as drug dealing, illegal mining and forestry, corruption and terrorism. In this regard, a first important step taken by the government was the creation of the Financial Intelligence Unit in 2002. This government agency estimated that between January 2007 and March 2016, assets valued at more than $13 billion were laundered in our country. Although crime cartels and many others were brought to justice during this period, these efforts have proven to be, so far, insufficient. However, while Peruvian law enforcement agencies have become more efficient against money laundering, corruption and excessive bureaucracy have been a burden. This new legislative decree

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TODAY'S NEWS

POLITICAL

Trump Signs Order to Build Border Wall

U.S. President Donald Trump signed an executive order directing the construction of a massive border wall along the country's border with Mexico. The White House reiterated that it will force Mexico to pay for the multi-billion-dollar project, an assertion that Mexico's president rejected.

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ECONOMIC

Peru Expecting Lower Growth in 'Odebrecht Effect'

The government said the country's growth will be lower than expected as it works to fight corruption.

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POLITICAL

Haiti's Moïse Denies Money Laundering Allegations

Haiti's president-elect answered questions for four hours in a closed-door session. He said allegations against him were fabricated by his opponents.

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Moïse // File Photo: Moïse Campaign.

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POLITICAL NEWS

Trump Signs Orders to Crack Down on Illegal Immigration

U.S. President Donald Trump on Wednesday signed two executive orders in a crackdown on illegal immigration. One of the actions advances Trump's key campaign pledge to build a massive wall along the U.S. border with Mexico, and the other directs government agencies to strip federal grant funding from so-called "sanctuary cities," which protect undocumented immigrants by not prosecuting them for violations of federal immigration laws. "A nation without borders is not a nation," Trump said during a visit to the Department of Homeland Security headquarters in Washington, The Wall Street Journal reported. Trump said his aim in signing the orders is to keep the United States safe and put an end to "one injustice after another" for the families of Americans who have been killed by people in the United States illegally, NBC News reported. "We hear you, we see you and you will never be ignored again," Trump told relatives of victims at the Department of Homeland Security after signing the orders. "Your children will not have lost their lives for no reason." In addition to redirecting existing department funds to build the multi-billion-dollar wall, the first order also calls for the construction of additional detention facilities along the border and for quick processing of asylum claims, The Wall Street Journal reported. In the companion order, Trump restores the "Secure Communities" program, in which local law enforcement officials are directed to detain undocumented immigrants until they are picked up by federal agents. Trump also expanded the group of undocumented immigrants targeted for deportation. The order said sanctuary cities "willfully refuse" to assist federal immigration authorities. "These jurisdictions have caused immeasurable harm to the American people and to the very fabric of our Republic, the order reads. Trump has said repeatedly that he will force Mexico to pay for the wall, an assertion repeated earlier on Wednesday by his press secretary, Sean Spicer. In a recorded message released Wednesday, Mexican President Enrique Peña Nieto reiterated his stance that Mexico "will not pay for any wall." He added, "Mexico does not believe in walls." Trump and Peña Nieto are scheduled to meet in Washington on Tuesday of next week.

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(number 1249) aims to crack down on this problem through empowering the Financial Intelligence Unit, which will reduce the time and unnecessary procedures in accessing required relevant information. The list of participants involved in the fight against these felonies has been extended, and more people and entities are now obligated to report suspicious activities."

Fernando Castañeda, partner at Diaz, Reus & Targ LLP, Lima Office partners - Aramburú Castañeda Boero Abogados:

"Through Legislative Decree Number 1249, the Financial Intelligence Unit will be strengthened by creating new subjects required to report suspicious money laundering operations (for example, credit- and/or debit-card processing companies, as well as lawyers and accountants who routinely carry out financial advice and/or corporate services on behalf of a third party). The supervision of real estate agents is also assigned to the Financial Intelligence Unit, as are travel and tourism agencies, lodging establishments, mining companies, lottery games and the like. In addition, the unit will have access (through a judge) to tax and banking secrets and will be able to share information with the prosecutor's office about intelligence on crimes such as kidnapping, extortion and corruption that they detect in their investigations. It is estimated that between January 2007 and March 2016, approximately $13 billion in assets from illicit

Continued on page 4

NEWS BRIEFS

At Least Six Killed in Chile Forest Fires

Six people—four fire fighters and two police officers—were killed while battling forest fires in central Chile, officials said, Agence France-Presse reported Wednesday. The fires have raged through 238,000 hectares, or 588,000 acres, of land in Chile and are not showing signs of slowing, the National Forestry Corporation said in a statement. President Michelle Bachelet on Tuesday called for more funds to help fight what she called the country's worst forest fires ever. At least 4,000 people have been evacuated due to the fires, the National Forestry Corporation said.

Haitian President-Elect Denies Money Laundering Allegations

Haitian President-elect Jovenel Moïse on Wednesday denied allegations that he laundered money as part of his efforts to secure loans years before running for office, the Associated Press reported. Moïse, who is scheduled to take office Feb. 7, answered questions from a judge for four hours in a closed-door session on Wednesday. He said his rivals fabricated the allegations to "create instability" in the country.

Real Infrastructure Begins Construction on El Salvador PV Plant

U.S. and Spanish company Real Infrastructure has begun constructing a 17.8 megawatt photo voltaic solar plant in El Salvador, PV-Magazine reported today. The Trinidad and Márquez project is expected to be completed in the next eight months and will require about $50 million in investment. The plant is located in the Acajutla municipality and will add to the country's solar energy infrastructure currently under construction. El Salvador's largest solar plant currently being built is the 100 MW Providencia project.

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Brazilian Authorities Seek Batista's Arrest

Brazilian police and federal prosecutors on Thursday issued a detention order against former billionaire businessman Eike Batista in connection to the wide-reaching corruption probe at state oil company Petrobras, Reuters reported. Officials issued warrants against eight others as well amid raids related to the probe. A spokesman for the police told the wire service that Batista and others allegedly took part in a $100 million money laundering ring in connection with the corruption scandal. The warrant for Batista's arrest involved allegations that he had paid bribes during the term of former Rio de Janeiro Governor Sérgio Cabral from 2007 to 2014 in order to gain an advantage in some government contracts, The Wall Street Journal reported. The raids took place in Rio de Janeiro, but according to news channel GloboNews, police failed to find Batista at his home in an upscale Rio neighborhood, Reuters reported. Unnamed lawyers representing the former billionaire said he is traveling and that he plans to turn himself in upon his return to Brazil. Batista was once Brazil's richest man, worth approximately $35 billion less than five years ago. His fortune dwindled in the crash following Brazil's commodities boom, which caused the collapse of his mining, energy, shipbuilding and logistics conglomerate, Grupo EBX.

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ECONOMIC NEWS

Peru Expecting Lower Growth Due to 'Odebrecht Effect'

Peruvian Finance Minister Alfredo Thorne on Wednesday predicted Peru's growth this year would not be as robust as originally projected, as the government works to eliminate corruption, following the "Odebrecht effect," Reuters reported. Brazilian construction conglomerate Odebrecht last month admitted to bribing Peruvian officials over the span of a decade in order to receive preference in the bidding process for public works projects. President Pedro Pablo Kuczynski's government subsequently barred the construction conglomerate and other companies known to have been involved in the corruption from continuing to work on projects The government had forecast 4.8 percent economic growth this year, but that level now seems unlikely, said Thorne. "Due to the Odebrecht effect ... I think it's hard to think that we're going to grow 4.8 percent, I think we could grow one percentage point below that," he said. The government this week took back a $5 billion natural gas pipeline project from Odebrecht and other companies after the companies failed to secure financing for the project, due to concerns over liability for graft. A new auction for the pipeline will be held within a year, Energy Minister Gonzalo Tamayo said. The government also wants Odebrecht to sell its stake in the $500 million Chavimochic III irrigation project it was building with Peruvian construction conglomerate Grana y Montero, Thorne said. "We're not going to tolerate corruption," he said. "If that means we have to pay for it with a bit of growth, well, I think we're ready to do that."

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drug trafficking (42 percent), illegal mining (34 percent) and crimes against public administration (7 percent) were been laundered, according to ASBANC. The expansion of powers described and the creation of the Centralized Organization for the Prevention of Money Laundering and Terrorist Financing can improve the results of the past. At the same time, however, it is necessary to promote the formalization of commercial transactions in the country and the presence of the state in the areas where informal mining is developed and drugs are produced and marketed. Only the cooperation of Peru's executive, legislative and judicial branches of government in eradicating corruption, money laundering and terrorist financing will produce real changes."

Francisco Durand, professor of political science at the Catholic University of Peru: "The (relative) strengthening of Peru's Financial Intelligence Unit is mostly a result of political scandals in the last election (Keiko Fujimori's right-hand person is being investigated by the DEA on charges of money laundering) that placed the issue of banking and tax secrecy as obstacles to investigations. It is also a result of Peru's intention to join OECD countries, a plan that requires closing gaps and reinforcing institutions, in particular providing the state tools to deal with financial crimes. Because of those two factors, Congress reluctantly decided to allow judges (within some limits) to lift secrecy provisions. The Financial Intelligence Unit, fortunately, is part of the bank superintendency, an elite institution that is fairly autonomous. Despite these advances, the real question is whether banks will play a more active role in reporting cases in which money laundering may be involved and whether judges will find the will to research complex, dangerous, politically charged cases. In any case, the major issue is the extent of Peru's illicit economies (such as in drugs, smuggling, fine woods, gold and counterfeit money), which should be the real concern. Understanding how they work is crucial, and they require investigations that should go beyond financial activities and eventually look at links to the political system. It may not come as a surprise that these 'interest groups' are well represented."

> **"The real question is whether banks will play a more active role in reporting cases in which money laundering may be involved...."**
>
> **— Francisco Durand**

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

LATIN AMERICA ADVISOR

Energy Advisor

The answers to questions that informed executives are asking ... every week.

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