

## BOARD OF ADVISORS

**Ernesto Armenteros**  
Vice Chairman of the Board,  
Banco de Ahorro y Crédito Unión

**Pablo Barahona**  
President & COO,  
Global Retail Markets West,  
Liberty Mutual Group

**Felipe Carvallo**  
Vice President - Analyst  
Latin America Banking  
Moody's Investors Service

**Richard Child**  
CEO,  
Matrix Group

**Michael Diaz Jr.**  
Partner,  
Diaz, Reus & Targ, LLP

**Ernesto Fernández Holmann**  
Chairman of the Board,  
Ayucus

**Rich Fogarty**  
Managing Director,  
Berkeley Research Group

**Desiree Green**  
Vice President,  
International Government Affairs,  
Prudential Financial

**Earl Jarrett**  
Chief Executive Officer,  
The Jamaica National Group

**Thomas Morante**  
Partner,  
Holland & Knight

**Manuel Orozco**  
Director,  
Migration, Remittances & Development,  
Inter-American Dialogue

**Adalberto Palma-Gomez**  
Senior Partner,  
Proxy, Gobernanza Corporativa

**Rodolfo Pittaluga**  
Adjunct Professor,  
Florida International University  
College of Law

**Jan Smith**  
Partner,  
KoreFusion

**Roberto Teixeira da Costa**  
Board Member,  
SulAmérica

**Mario Trujillo**  
CEO,  
DolEx Dollar Express

## FEATURED Q&amp;A

# What Has Changed Since the 'Panama Papers' Leak?



Two years ago, a huge data leak showed how Panama's Mossack Fonseca law firm helped wealthy clients conceal assets. A building where the company operated offices is pictured above. // File Photo: Panamanian Government.

**Q** Mossack Fonseca, the Panama-based law firm that suffered a data breach two years ago of 11 million leaked documents that shed light on how the world's wealthy exploit financial secrecy laws to hide assets, announced in March that it was closing. The so-called Panama Papers scandal brought down government officials and embarrassed public figures around the world. How has the fallout from the Panama Papers over the past two years changed the financial services industry in Latin America and the Caribbean? What reforms have been most meaningful to date, and what sorts of changes are needed in order to improve moving ahead? What unintended consequences might emerge as a result of reactions to the Panama Papers data breach?

**A** Thomas Morante, member of the Financial Services Advisor board and partner at Holland and Knight in Miami, and Barbara Efrain, associate at Holland & Knight in Los Angeles: "Data privacy laws in Latin America predate the Panama Papers breach. In the aftermath, some countries in Latin America enacted comprehensive privacy laws and data breach reporting requirements. Additionally, Latin American countries are amending their laws and enforcing compliance in response to the European Union's implementation of the General Data Protection Regulation, or GDPR, a system of data privacy laws standardized across Europe with extraterritorial reach, and the OECD's Common Reporting Standard. Argentina and Chile modified their privacy laws to comply with the GDPR. Argentine law restricts cross-border transfers to countries without adequate protection. Chile's privacy

Continued on page 3

## TOP NEWS

## FINANCIAL SERVICES

## Brazil Seeing Rise in Hiring by Int'l Banks

Major international banks have reportedly started hiring in Brazil amid the competitiveness of the country's financial markets.

Page 2

## REMITTANCES

## Walmart Extends Money Transfer Operations

The U.S.-based retailer announced that it is expanding its money-transfer network, allowing customers to send money to recipients in 200 countries. Walmart launched its money transfer service four years ago and recently partnered with MoneyGram to further expand it.

Page 2

## FINANCIAL SERVICES

## HSBC Loans \$1 Billion to Argentine Gov't

The funds were provided in the form of a repo loan. The bank's CEO for Argentina, Gabriel Martino, said HSBC is convinced of the country's "enormous potential."

Page 2



Martino // File Photo: Brazilian Government.

## FINANCIAL SERVICES NEWS

## Brazil Reportedly Sees Rise in Hiring by International Banks

Major international banks have begun hiring in Brazil this year as financial markets in the country have become more competitive, Reuters reported March 26. Global investment firms such as Citigroup, Goldman Sachs and Morgan Stanley have been poaching executives from each other as they seek to gain the upper hand in the Brazilian credit markets. The moves are the latest sign of renewed vitality in Brazilian financial markets, where historically low interest rates and a rebounding economy have led to increased competition. There have also been increases in local bond and stock offerings, as well as mergers and acquisitions. Banks in Brazil have recently begun actively seeking out clients for credit, according to a March 27 report by O Estado de S.Paulo, citing central bank data. "We have even been encouraged to visit companies themselves," André Daré, director of Itaú Unibanco, told the newspaper. Brazil, which recently posted its fourth consecutive quarter of economic growth following a two-year recession, last year saw its best year for initial public offerings since 2013, according to Reuters.

## HSBC Loans \$1 Billion to Argentine Gov't

Britain's HSBC has loaned \$1 billion to Argentina's finance ministry, La Nación reported March 28. The funds were provided in the form of a repo loan, which is repaid at the Libor rate plus Argentina's country risk premium of 250 points. Finance Minister Luis Caputo said in an interview in early March that he planned to seek \$2 billion-\$3 billion through similar financing moves. "At HSBC, we're convinced of the enormous potential that [Argentina] has, and for that reason we will continue to support

Argentina in this process of transformation and opening to the world," said HSBC Argentina CEO Gabriel Martino. The move shows corporate confidence in Argentina's ability to repay



**At HSBC, we're convinced of the enormous potential that [Argentina] has..."**

— Gabriel Martino

loans despite volatility in the international credit market. The loan followed a Bloomberg report on March 28 saying that Argentina had rejected an investor proposal to open a new line of credit with the International Monetary Fund because of political risk.

## Brazil's Central Bank Aims to Lower Cost of Credit

Brazil's central bank announced new credit rules on March 28 in an effort to reduce the cost of credit in the country, O Estado de S.Paulo reported. The rule changes, which are slated to take effect in April, reduce reserve requirements on checking accounts from 40 to 25 percent. Brazilian banks had long sought the changes, which will reportedly free up some 25.7 billion reais for new lending. "We have returned to the pre-crisis rates of 2008," said Otávio Damaso, director of regulation for the central bank. The bank also rolled out new rules for the issuance of covered bonds, as well as regulations designed to provide more resources for smaller financial firms. The reforms are aimed at reducing interest rates, cutting costs of credit and encouraging competition in Brazil's credit market, Reuters reported. Although financial markets in the country saw a boost in activity in the first quarter of the year, interest rates remained high as the economy has begun to grow following two years of recession.

## NEWS BRIEFS

## Walmart Expanding Money Transfer Operation to 200 Countries

U.S.-based retailer Walmart is expanding its money transfer operation to 200 countries, allowing customers to send money from any of Walmart's nearly 5,000 stores in the United States to other countries, the company announced. Walmart, based in Bentonville, Ark., launched its money transfer service four years ago, the Financial Times reported April 3. The new push to expand its money transfer service includes a recent partnership with MoneyGram, allowing senders in the United States to remit money to countries including Mexico. Customers will pay \$4 to send up to \$50, \$8 to send up to \$1,000 and \$16 to send as much as \$2,500. MoneyGram agents around the world, international banks and mobile wallets can receive the transfers.

## Mexico's Promecap Raises \$300 Million in IPO

Mexican private capital firm Promecap raised 5.58 billion pesos (\$300 million) in an initial public offering on the Mexican stock exchange on March 22, El Economista reported. Promecap, which is classified as a Special Purpose Acquisition Company (SPAC), sold more than 79 percent of the shares to Mexican investors. The company will now have two years to present an investment plan to shareholders.

## Peru Increases Limit for Pension Funds' Foreign Investments

Peru's central bank has increased the limit for investment abroad by Peru's Private Administrators of Pension Funds (AFPs), La República reported on March 26. The move, which increased the foreign investment threshold from 47 to 48 percent, frees up \$490 million for foreign investment. The country will increase the limit in two phases, ending on May 1.

## Peru Adopts Law to Allow Reverse Mortgages

Peru's government has implemented a law to allow reverse mortgages in the country, La República reported March 29. The law, which is being billed as an alternative for older Peruvians with insufficient pensions, will allow homeowners to gradually sell back home equity in exchange for monthly payments or a lump



Morón // File Photo: Confiep.

sum. “[The law] allows you to use your place of residence as long as necessary and to have an income during the final stage of your life,” said Eduardo Morón, president of the Peruvian Association of Insurance Companies (Apeseg). “There is no risk of losing the house.”

### PENSIONS NEWS

## Mexican Auditors Open Investigation of Pension Fund

Mexican federal auditors have opened a probe into Issste, the government workers' pension fund, Reuters reported March 21. The investigation follows a report by the wire service that revealed the fund had invested more than \$20 million in construction firm ICA just before it declared bankruptcy in 2015. According to the report, ICA suspended debt payments just after the purchases. Issste lost most of the investment to a financial restructuring. The news of the transactions set off widespread

anger in Mexico and triggered calls for a public inquiry after they were reported. In a video posted to Twitter on March 21, Issste said it was cooperating with the investigation. The agency, which oversees the fund Pension-Issste, has denied that the investments have anything to do with corruption, saying that they made the investments under the impression the company was not going bankrupt, Reuters reported. Corruption and the mismanagement of public funds have been major themes in Mexico's presidential race this year, according to El Sol de México. Mexican voters will head to the polls on July 1.

### FEATURED Q&A / Continued from page 1

law differs from other Latin American countries in that it lacks a data protection authority to oversee data breaches; although its sector-specific laws (such as, the Law on Banks and the Criminal Law) provide additional privacy protections to individuals. Brazil does not have a comprehensive data protection law, although it protects privacy rights through lawsuits and government enforcement actions. Several bills have been introduced, and new privacy legislation is anticipated later this year. Colombia's data protection law regulates the processing, transmission, and transfer of personal data by public and private institutions. Mexico's privacy laws regulate public-sector use of information, holding government agencies to the same standards as private parties. Both Colombia and Mexico require that cyberattacks be reported to the owner of the data, although neither country requires that the breach be reported to the government. The Panama Papers and similar scandals have triggered amnesty programs throughout Latin America, enabling individuals to declare their offshore currencies and facilitate repatriation. Developing strong privacy laws in the region that require immediate reporting of data breaches would likely create greater transparency. Financial companies will need to be aware of this expanding regulatory environment.”

### ANTI-MONEY LAUNDERING NEWS

## Maduro at ‘High Risk’ for Money Laundering: Panama

Panama's government on March 29 placed Venezuelan President Nicolás Maduro and more than 50 other Venezuelan officials on a list of individuals that are considered a “high risk” for money laundering, Argentine daily newspaper La Nación reported. The decree, which

**A** **Jaime Jácome, partner at Diaz Reus-Panama:** “Since 1977, Mossack Fonseca had been a major player in the market of international legal and financial services. An illicit intervention in its archives by unknown actors, disclosed by a journalistic organization and with evidence that no judicial system in the democratic world has accepted as valid, the scandal caused international commotion that conflated some cases of political corruption, organized crime and tax

“ **The Panama Papers, WikiLeaks and other leaks have nullified commercial secrecy.”**

— Jaime Jácome

fraud with hundreds of thousands of licit mercantile operations. However, the scandal has not had a major negative impact in Panama. The rate of incorporation of Panamanian companies has declined over the last five years—not only because of new laws that oblige law firms to know their customers and keep compliance information available, but

Continued on page 6

was published in Panama's Official Gazette, imposes restrictions on the officials' travel to Panama, prevents them from doing business in the country and suggests freezing accounts. With the move, Panama becomes the first Latin American country to impose official sanctions on Venezuela or its officials, the newspaper reported. "This will force Argentina, Chile, Brazil and Peru to make similar decisions,"

“The other members of the Group of Lima will see themselves as having to stop talking and start acting”

— Andreína Chasín

Andreína Chasín, an exiled Venezuelan human rights lawyer, told the Associated Press. "The other members of the Group of Lima will see themselves as having to stop talking and start acting." Venezuelan President Nicolás Maduro and his government are facing an international backlash over their handling of the economy and widespread shortages and hunger in the country, as well as consolidation of power and a crackdown on dissent. The document also named Diosdado Cabello, the second-highest ranking official in the ruling Socialist Party, as a "high risk" for money laundering. Other countries, such as the United States, have also imposed sanctions on several Venezuelan officials, including Maduro.

## POLITICAL NEWS

### Peru's Vizcarra Swears in New Cabinet Members

Peruvian President Martín Vizcarra, who took office on March 23 following the resignation of his predecessor, Pedro Pablo Kuczynski, on April 2 swore in his new cabinet, Peruvian daily newspaper La República reported. The entirely

new cabinet is led by Prime Minister César Villanueva, an opposition legislator who had helped to lead the push to impeach Kuczynski. Villanueva has vowed to focus on resolving social problems in the interior of Peru, the Associated Press reported. David Tuesta, who has worked for BBVA for the past decade and before that served as a director for the CAF development bank, was tapped as finance minister. Néstor Popolizo, a career diplomat, was named foreign minister, the Financial Times reported. Among Popolizo's first tasks

## ADVISOR Q&A

### What Can Costa Ricans Expect of Their Next President?

**Q** Ruling party candidate Carlos Alvarado Quesada on Sunday won Costa Rica's presidential runoff, garnering 61 percent of the vote to defeat evangelical singer and lawmaker Fabricio Alvarado Muñoz. Same-sex marriage was a prominent issue in the campaign, with Alvarado Quesada in support of it and Alvarado Muñoz opposed to it. To what can Alvarado Quesada, who came in behind Alvarado Muñoz in the first round, attribute his victory? What can Costa Ricans expect of his government, and how much will his policies differ from those of current President Luis Guillermo Solís? What will Alvarado Quesada's government mean for businesses operating in Costa Rica and for the country's economy?

**A** Christine Wade, associate professor of political science and international studies at Washington College in Chestertown, Md.: "Costa Rica's presidential runoff featured a stark contrast between author and former Labor Minister Carlos Alvarado Quesada and Fabricio Alvarado Muñoz, an evangelical pastor whose anti same-sex marriage stance became the focus of the late campaign. Polls had the two candidates running neck-and-neck or giving a slight

edge to Alvarado Muñoz, but higher than expected voter turnout appears to have tilted the balance to Alvarado Quesada. In addition to highlighting growing tensions between conservatism and progressivism in Central America's 'exceptional' democracy, voting patterns also appeared to underscore the extent to which those values were represented by the urban-rural divide. While the IACHR decision on same-sex marriage dominated the campaign in recent months, the new administration will face some significant economic challenges. High unemployment, a large public-sector deficit, and rising inequality and crime all await the president-elect. Alvarado Quesada will have to make a concerted effort to work with other parties in a divided legislature to get key legislation, such as tax reform, passed if he's to succeed where others have failed. Given his economic team, which includes Vice President-elect Epsy Campbell Barr and President Solís, it's unlikely his policies will diverge significantly from the current administration."

**EDITOR'S NOTE:** More commentary on this topic appears in the April 3 issue of the Latin America Advisor.

will be overseeing the April 13-14 Summit of the Americas, which is to bring several Western Hemisphere heads of state, including U.S. President Donald Trump, to Lima. Vizcarra also named Francisco Ísmodes as energy and mining minister. He has two decades of experience in the mining industry, which has helped drive the economy of Peru, the world's second-largest producer of copper and among the largest producers of gold, silver and zinc. Other cabinet selections include Salvador Heresi as justice minister, the AP reported. Heresi has



## NEWS BRIEFS

## Former Guatemalan Dictator Ríos Montt Dies of Heart Attack at 91

Efraín Ríos Montt, who spent a year and four months as Guatemala's military dictator in the early 1980s and was later convicted of genocide and crimes against humanity, died of a heart attack April 1 at age 91, The New York Times reported. Ríos Montt's conviction in 2013 of trying to wipe out the Ixil Mayan group was later overturned, and at the time of his death, he was being retried in absentia.

## Strong Earthquake Rattles Bolivia, Brazil

The San Calixto Observatory in Bolivia recorded a 6.6 magnitude earthquake the morning of April 2, La Razón reported. The tremor did not result in any personal injuries or significant property damage, the Observatory said. The depth of the earthquake, at 346 miles below the surface, reportedly prevented casualties, according to the U.S. Geological Survey. According to Reuters, the earthquake shook buildings as far away as Brasília and São Paulo, forcing people there to evacuate buildings. The U.S. Geological Survey measured the earthquake at 6.8 magnitude and said it was centered 12 kilometers north-northeast of the town of Carandayti.

## Brazilian Authorities Arrest Four With Links to Temer

Federal police in Brazil on March 29 arrested four people with links to President Michel Temer, O Estado de S.Paulo reported. The arrests were made in the investigation into corruption in concessions at Brazil's largest port, BBC News reported. Temer has denied wrongdoing. Those arrested include former Agriculture Minister Wagner Rossi and José Yunes, a businessman and former advisor to the president.

spoken in favor of Kuczynski's controversial decision last December to grant a pardon to former President Alberto Fujimori on medical grounds. Kuczynski's pardon of Fujimori, who had been serving a 25-year jail sentence for crimes he committed during his presidency, was widely seen as payback to Fujimori's son, lawmaker Kenji Fujimori, who helped Kuczynski remain in office during the first attempt to impeach him. The Inter-American Court of Human Rights is expected to rule in coming months on the validity of Fujimori's release and could order Peru's government to return him to prison, the AP reported. Vizcarra also named Fabiola Muñoz as his environmental minister. Muñoz formerly headed Peru's forestry service. [Editor's note: See [Q&A](#) on Peru's new president in the March 26 issue of the Dialogue's daily Latin America Advisor.]

## Argentina's Economic Activity Surges in January

Argentina's economic activity grew 4.1 percent in January as compared to same month last year, according to data released on March 28 by state statistics agency Indec, La Nación reported. The country's economy expanded 0.6



Macri // File Photo: Argentine Government.

percent in January as compared to December. "We are on the right path," said President Mauricio Macri. "That's why call on everyone to work together and let this new data serve to help us understand that the path we're on has one clear goal: reducing poverty." Macri's government celebrated the release of data on March 28 that showed that the number of Argentines living in poverty had fallen by 1.9

million in 2017, reducing the overall rate to 25.7 percent, Clarín reported. The data also showed a significant reduction in homelessness and poverty among children. Macri, a center-right former mayor of Buenos Aires, was elected in 2015 on promises to reform the government and kickstart Argentina's stagnant economy. One of his first moves as president was revamping the central statistics agency, which had suffered a decline in credibility after his predecessor claimed that Argentina had lower poverty rates than Germany. The data released March 28 showed that fishing and construction were the sectors that grew most in January, compared to the same month in 2017. [Editor's note: See [Q&A](#) on potential labor reforms in Argentina in the Jan. 30 issue of the Dialogue's daily Latin America Advisor.]

## Oliveira to Take Over Brazil's State Development Bank

Brazil's government announced on March 31 that Dyogo Oliveira, the head of the country's planning ministry, will take over as head of the state development bank, Folha de S. Paulo reported. The National Bank for Economic and Social Development, or BNDES, faces the task of kickstarting infrastructure projects around the country. The bank has reportedly had tensions with regulatory and control bodies, such as the Audit Court of the Union. Oliveira will be succeeded by his deputy Esteves Colnago at the planning ministry. The move is the latest in a reshuffle of President Michel Temer's economic team following the expected resignation of Finance Minister Henrique Meirelles, who reportedly may challenge Temer for his party's presidential nomination. The executive secretary of the Finance Ministry, Eduardo Guardia, is expected to take over as Finance Minister in Meirelles' place. Also on Saturday, the government confirmed that Gilberto Occhi, CEO of state-run bank Caixa Econômica Federal, will become health minister, the newspaper reported. The country's vice president of housing, Nelson Antônio de Souza, will take Occhi's place as CEO of Caixa.

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

also because of the conservative and cautious policies of Panamanian banks, which have imposed severe controls on customers. Jurisdictions 'protected' by the OECD remain as opaque as ever, competing unfairly, while others have begun to reduce taxes to recover capital. The lessons learned are clear. First, justice through courts is not the only way that these actions are condemned; there is also media condemnation created by perceptions—not by evidence—and without the right of defense. Second, states that insist on low taxation will be commercial enemies of the nations for which tax evasion has ceased to be just an ethical and moral problem and has become an eminently economic one that threatens their survival. Third, everything comes to light. The Panama Papers, WikiLeaks and other leaks have nullified commercial secrecy. Opening a world of information, though by means that may be considered illegal, in practice creates a more open and controlled society."

**A** **Jaime Figueroa Navarro,** secretary of internal affairs and a member of the board of directors of the Panama Business

**Executives Association:** "Mossack Fonseca at one point was the world's fourth-largest largest provider of offshore financial services, with 45 offices around the globe offering ample financial advice in many areas. It seems to be highly discriminating to dub the Mossack Fonseca matter the 'Panama Papers,' damaging a nation's reputation in the name of international integrity. The movement seems to be now focused on opening a Pandora's box of corrupt practices around the world. Reforms and changes should focus, for example, on the New York and Miami financial districts that seem to be far more involved in illicit activities than Panama's. For one, U.S. authorities should focus their attention on how the illegal drug trade, which has its largest global share within its borders, launders obscene amounts of cash daily within the U.S. banking system."

**A** **Marco A. Gandásegui, Jr.,** professor of sociology at the University of Panama and research associate at the Center of Latin American Studies (CELA): "The fallout of the so-called Panama Papers has had one major breakthrough: it forced Mossack Fonseca's operation to shut down. Other firms offering similar services in the Caribbean Basin ran for cover and are still doing business, though maybe on a smaller scale. The probable winners are law firms in the United States, mainly in open-for-business

“Other firms offering similar services in the Caribbean Basin ran for cover and are still doing business, though maybe on a smaller scale.”

— Marco A. Gandásegui, Jr.,

jurisdictions such as Delaware and Nevada. No major reforms have been pushed in any of the jurisdictions that are known to operate with the world's wealthy. If the international financial community is interested in fighting the tax-evasion racket, it must take action in the U.S. Congress. Legislation at this level has been stalled for decades. In recent years, more and more U.S. states have been taking advantage of the lack of regulation on financial transactions, especially from foreign countries into the United States. Panamanian and other law firms around the world have a long history of serving all kinds of entrepreneurs in setting up shell companies in the Caribbean, Europe, and the United States. This will not end until the U.S. Congress cracks down and creates new legislation in order to stop such activities."

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

## FINANCIAL SERVICES ADVISOR

is published biweekly by the Inter-American Dialogue, Copyright © 2018

**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)



**Michael Shifter**, President  
**Genaro Arriagada**, Nonresident Senior Fellow  
**Sergio Bitar**, Nonresident Senior Fellow  
**Joan Caivano**, Director, Special Projects  
**Michael Camilleri**, Director, Peter D. Bell Rule of Law Program  
**Kevin Casas-Zamora**, Nonresident Senior Fellow  
**Ariel Fiszbain**, Director, Education Program  
**Alejandro Ganimian**, Nonresident Fellow  
**Peter Hakim**, President Emeritus  
**Claudio Loser**, Senior Fellow  
**Nora Lustig**, Nonresident Senior Fellow  
**Margaret Myers**, Director, China and Latin America Program  
**Manuel Orozco**, Director, Migration, Remittances & Development  
**Jeffrey Puryear**, Senior Fellow  
**Tamar Solnik**, Director, Finance & Administration  
**Lisa Viscidi**, Director, Energy Program  
**Denisse Yanovich**, Director of Development and External Relations

**Financial Services Advisor** is published biweekly, with the exception of major holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.