

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

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

Chair, Insurance Regulatory &
Transactional Practice Group
Kaufman, Dolowich & Voluck

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

Fabian Saide

Founder, CEO and President,
Paykii

Jan Smith

Partner,
KoreFusion

Roberto Teixeira da Costa

Founder & Board Member Emeritus
CEBRI

Mario Trujillo

CEO,
DolEx Dollar Express

FEATURED Q&A

Why Are Mexico's Bank Fees Getting So Much Attention?



Ricardo Monreal, the leader of the Mexican Senate, said he will push for a vote on his proposals to cut fees in the current legislative session. // File Photo: Mexican Government.

Q Mexican Senate leader Ricardo Monreal has said he will seek a vote on controversial legislation he co-authored to cut bank fees in the chamber's spring session, which began this month. The original draft of the bill, which sent bank stocks plummeting last year when details of it were made public, eliminated as many as 15 fees, including minimum balance requirements and fees charged on credit cards. Senators are currently debating which fees would be cut versus reduced. Meanwhile, the Association of Mexican Banks is working on its own plan to lower bank fees at its annual convention, expected to be held in March, Monreal has said. Are bank fees in Mexico a problem? Will the legislation win enough support to become law? How would its passage affect consumers and Mexico's banks?

A Alejandro Tapia, director of Latin American financial institutions at Fitch Ratings in Mexico: "Fitch considers that the proposed legislation in Mexico that would curtail the amount of commission fees Mexican banks are allowed to charge retail customers would be negative for bank credit profiles and prospects, if passed. Fee income is a significant source of earnings for Mexican banks. It has represented on average 18 percent of the banks' total operating income in the last five years, with net interest income still accounting for the vast majority of total revenues. Therefore, the loss of fee income would have a significant effect on earnings and revenue diversification. However, the proposal is only a legislative initiative, and there is no certainty that it will be approved or on what terms. Fitch also believes this proposal, if finalized, could have medium- and long-term negative

Continued on page 6

TOP NEWS

BANKING

FBI Raids Puerto Rico Bank Over Sanctions

FBI agents raided the offices of Banco San Juan Internacional, a bank in Puerto Rico, on Feb. 6 amid allegations over violations of U.S. sanctions imposed on those who do business with Venezuela's government.

Page 2

REMITTANCES

Remittances to Mexico Reach Record in 2018

Mexicans living in the United States last year increased the amount of money they sent home to their families with average transfers of \$322, up from \$309 a year earlier.

Page 3

FINTECH

Brazil Central Bank Nominee Favors Fintech

The nominee to become Brazil's next central bank president, Roberto Campos Neto, told senators he would do more to advance technologies such as blockchain and digital assets if confirmed.

Page 3



Campos Neto // File Photo: Brazilian Government.

COMPLIANCE NEWS

Russian Bank Denies PDVSA New Account for Oil Payments

Russia's Gazprombank on Feb. 10 denied that Venezuelan state oil company PDVSA had recently opened accounts there, shortly after Reuters reported that PDVSA was telling customers of its joint ventures to deposit oil sales proceeds into a new account that had been created at the Russian state-owned lender. As PDVSA struggles to find buyers due to new U.S. sanctions aimed at blocking Venezuelan President Nicolás Maduro's access to revenue from crude exports, officials at the oil company have reportedly been circulating information on new payment methods, including the Russian bank account. "We would like to make formal your knowledge of new banking instructions to make payments in U.S. dollars or euros," wrote PDVSA's finance vice president, Fernando de Quintal, in a letter dated Feb. 8 to the unit that supervises its joint ventures, Reuters reported. The bank's decision came as joint ventures operating in the South American country, including with U.S.-based Chevron and France's Total, began withdrawing staff from Caracas. PDVSA has also given a deadline for the joint



Quevedo // File Photo: Venezuelan Government.

venture partners to formally decide whether they will continue with their Venezuela projects, Reuters reported, citing two unnamed sources. PDVSA head and Oil Minister Manuel Quevedo said that Venezuela is open to barter-like payments from India in exchange for oil, without giving further details. "The relationship with India will continue, the trade will continue

and we will simply expand all the trade and relationship," Quevedo said, the wire service reported. Meanwhile, tensions between Maduro and opposition leader Juan Guaidó, who has been recognized by numerous countries as the legitimate interim president under constitutional law, have continued to build over humanitarian aid arriving in neighboring countries from the United States and elsewhere, BBC News reported. The military, which backs Maduro, has blocked humanitarian aid in Colombia from entering Venezuela, with Maduro blasting the United States for sending food and medicine while imposing sanctions that he said hurt the Venezuelan people. "This is a macabre game, you see? They squeeze us by the neck and then make us beg for crumbs," he said at a news conference. Guaidó has vowed to open humanitarian aid routes, pushing for the military to allow the aid in and calling the blockage a crime against humanity.

FBI Raids Puerto Rico Bank Over Alleged Sanctions Violations

FBI agents raided the offices of Banco San Juan Internacional, a bank in Puerto Rico, on Feb. 6 amid allegations over violations of U.S. sanctions imposed on those who do business with Venezuela's government, the Associated Press reported. FBI spokesman Luis Rivera-Santana said agents had a search warrant to identify funds that might be linked to entities or individuals on the sanctions list. Federal officials suspect someone might have used the bank, known as BSJI, to launder money from a person or entity on that list, according to the report. No arrests were made. Rivera-Santana said it's the first operation of its kind in the U.S. territory. Héctor Vázquez Muñiz, chief financial officer of BSJI, rejected the allegations and said in a statement sent to the AP that the bank has taken all appropriate measures to comply with the U.S. sanctions, and that he is unaware of any transactions that could violate those. "We can assure you that once the FBI reviews all the documents and those that we can provide, this regrettable situation will be

NEWS BRIEFS

Brazil Banks Need Strong Credit Demand to Drive Growth This Year: S&P

Brazil's largest private banks will need to see strong growth in credit demand in order to beat last year's record profits, S&P Global said Feb. 12 in a report. Itáú Unibanco and Banco Bradesco in 2018 relied on decreasing loan loss provisions for their impressive results, something that will be hard to repeat in the current climate. Meanwhile, Banco Santander's Brazil unit grew business volumes and improved efficiency to boost results, which is also less likely this year, according to the report.

Scotiabank, Mexican University Launch FinTech Accelerator

Canada's Scotiabank said Feb. 7 it has teamed up with leading Mexican university Tec de Monterrey to launch the bank's first financial technology accelerator, called Factory A. Enrique Zorrilla, Scotiabank's Mexico chief executive, said the Mexico City-based initiative will select 10 fintech ventures made up of young entrepreneurs from Latin America to join its "coworking ecosystem." Participants will receive legal counsel, public relations support and mentorship from leaders across the bank and Tec de Monterrey's networks.

Wells Fargo Bringing 17 New Funds to Colombia

Wells Fargo Asset Management is bringing 17 new funds to investors in Colombia through an agreement with its distribution partner, Bci Asset Management, Citywire reported Feb. 7. Bci, which is based in Chile, has secured regulatory approval in Colombia to market the funds, which include ones focused on Chinese equities, as well as short/long strategies, according to a regulatory filing. Wells Fargo confirmed that it and Bci had a distribution agreement.

clarified," Vázquez said. BSJI is a private bank incorporated in 2011, according to Bloomberg News.

REMITTANCES NEWS

Remittances to Mexico Reach Record in 2018

Remittances to Mexico set a new record last year reaching \$33.5 billion, according to data released by the central bank on Feb. 8, Expansión reported. The figure represents a 10.53 percent increase compared to the \$30.3 billion registered in 2017. Mexicans living in the United States last year increased the amount of money they sent home to their families with average transfers of \$322, up from \$309 a year earlier. The number of transactions also grew, rising to 104 million, up from 98 million in 2017. Overall, family remittances to Latin America and the Caribbean grew nearly 10 percent in 2018, one of the largest growth rates of the past decade, according to a [report](#) released Feb. 8 by the Inter-American Dialogue. The increase in remittances "stands in stark contrast to the sluggish 1.9 percent economic growth rate for the region," the report said. The countries with the highest remittance growth rates last year were Haiti, Colombia, Brazil, Guatemala and Paraguay.

Venezuela Changes Rules to Attract Remittances

Venezuela's government under embattled socialist President Nicolás Maduro is loosening financial controls in a bid to capture more dollars at a time when its hard currency income is under pressure from U.S. sanctions, Reuters reported Feb. 5. A growing number of Venezuelans receive remittances, given that around one-tenth of the population of 30 million has emigrated in recent years due to an

COMINGS & GOINGS

Axel van Trotsenburg Named World Bank's New Head of Latin America, Caribbean

The World Bank Group on Feb. 1 named economist Alex van Trotsenburg as its new vice president for Latin America and the Caribbean. Van Trotsenburg has worked for more than 30 years at the Washington-based lender, most recently as vice president of development and finance. Previously, he served as country director for Colombia and Mexico, as well as for Argentina, Chile, Paraguay and Uruguay. Earlier in his career, he worked at the OECD in Paris. He takes over a portfolio of nearly \$30 billion from Jorge Familiar, who has become the World Bank's controller.

Brazil Central Bank Nominee Would Advance Blockchain, New FinTech Initiatives: Report

Brazilian President Jair Bolsonaro's nominee to become the next central bank president has told the country's Senate he would do more to advance technologies such as blockchain and digital assets if confirmed, Reuters reported Feb. 6. In a letter to the Senate, Roberto Campos Neto said he had participated in studies researching new financial services technologies at his current job as treasury director for the Americas at Banco Santander. He previously worked for Banco Bozano Simonsen, from 1996 to 1999, before it was taken over by Spain's Santander. Campos Neto is the grandson and namesake of Roberto Campos, who as Brazil's planning minister signed the decree that created the central bank in 1964, Bloomberg News reported. Analysts expect he will follow the orthodox economic policies put in place under outgoing central bank chief Ilan Goldfajn. His confirmation could come to a vote later this month.

Brazilian Health Insurance Association Names New Chair

Brazilian health insurance association FenaSaúde has appointed economist João Alceu Amoroso Lima as its new chairman, Grupo Midia reported Feb. 11. He takes over the three-year posting from attorney Solange Beatriz Palheiro Mendes. Lima is currently vice-chairman of Interodonto in São Paulo. Before that, he held executive positions in Brazil at IBM, Qualicorp and SulAmérica Saúde, the health division of SulAmérica ING. He said some of his priorities for the association are escalating costs, an aging population and increased litigation in the sector.

BlackRock's Landers Joins BTG Pactual

Brazilian investment bank Banco BTG Pactual has tapped veteran BlackRock portfolio manager Will Landers to run its new head of equity funds focused on Latin America, Nasdaq reported Feb. 11. Landers, who left BlackRock in January, will join BTG Pactual as a partner starting March 18 and replaces José Zitelmann, who the bank said is leaving "to pursue other professional projects," according to the report.

economic collapse, with a total value at around \$1 billion per year, according to the report. In related news, the Venezuelan government has begun regulating cryptocurrency remittances, Bitcoin News reported. The country's National Superintendency of Crypto Assets and Related Activities (Sunacrip) has set a monthly limit and will be collecting commissions of up to 15 percent of the transaction amount. Additionally, the government announced new details of its comprehensive registry of crypto service providers. The move stands in contrast to efforts to attract traditional remittances from the millions of Venezuelans who have fled the country's economic collapse.

ECONOMIC NEWS

Heavy Rains Take Human, Economic Toll in the Andes

Peruvian President Martín Vizcarra called for national unity Feb. 10 to help citizens recover as heavy rains took a large human and economic toll across a broad swath of the Andes, state news agency Andina reported. At least five people died and dozens of family homes and stores were crushed by mudslides in the municipality of Río Grande, in the Arequipa region. Meanwhile, Peru's environmental watchdog said it was investigating a tailings spill from a unit of Southern Copper into a river in an area that has been inundated by heavy rains, Reuters reported. The alarms follow the deaths of hundreds of people in Brazil last month when a mining dam burst there. The Agency of Evaluation and Environmental Enforcement (OEFA) said the spill occurred in the waste deposit area of the Cuajone mining operations of Southern Copper, located in the Moquegua region more than 500 miles southeast of Lima. Investigators said a "flow of a greenish solution" that had been leaking into the Torata River stopped after several days. "The environmental emergency occurred due to extreme rainfall throughout the southern zone of the country and, as a result, they activated the contingency

ADVISOR Q&A

Should Congress Give Venezuelans Temporary Protected Status?

Q **Bipartisan bills introduced recently in both chambers of the U.S. Congress seek to grant temporary protected status, or TPS, to Venezuelan migrants, a move that would allow Venezuelans to legally remain and work in United States for 18 months. TPS is granted by the Department of Homeland Security to citizens of countries that are experiencing armed conflict, environmental disasters or other extraordinary and temporary conditions. How big of a priority is this bill for lawmakers? How likely is it that Venezuelans will be granted TPS in the near future, and which factors could influence that decision? How, if at all, could the measure affect Venezuelan migration trends?**

A **Donna Shalala, U.S. representative for Florida's 27th congressional district:** "Donna Shalala, U.S. representative for Florida's 27th congressional district: "Nicolás Maduro has undermined Venezuela's democratic institutions and, in the process, created a political, economic and humanitarian crisis of catastrophic proportions. Our bipartisan TPS legislation shields from deportation those Venezuelans who have escaped this human-made disaster, thousands of whom have settled in South Florida. Granting TPS status to Venezuelan migrants is among the top priorities for us South Floridians. For so many Venezuelans in our community—our neighbors, friends, students and teachers—

plan of the mining unit," OEFA said in a release. Last year Peru suffered its worst flooding in 20 years. Meanwhile, the president of Chile has officially declared a state of catastrophe following a major flood that killed at least nine

there is no country to go back to, as long as children are dying from malnutrition, HIV and cancer patients are forced to forgo treatment, and peaceful protesters are killed in the streets at the hands of government forces. As we fight to grant TPS for Venezuelans, we've also introduced bills that will

“ We recognize that this is an uphill battle...”

— Rep. Donna Shalala

provide humanitarian aid to the Venezuelan people and restrict the export of arms from the United States to the Maduro regime. Moreover, we are concurrently fighting to protect or extend TPS designation for other groups. Like Venezuelans in our community, these Floridians have escaped catastrophe, often put down roots and now are facing the cruel uncertainty of being deported to countries where violence and extreme poverty are rampant. We recognize that this is an uphill battle, as this administration continues to wage a war on immigrants, but we will continue to fight for the millions who now call Florida home."

EDITOR'S NOTE: More commentary on this topic appears in the Feb. 8 issue of the daily Latin America Advisor.

people across the northern part of the country. President Sebastián Piñera pledged 20 billion pesos (\$30 million) from the government to support those affected, El Mercurio reported.

NEWS BRIEFS

Famous Brazilian Journalist Killed in Helicopter Accident

Brazilian journalist and media personality Ricardo Boechat, 66, was killed in a helicopter crash in São Paulo on Feb. 11, Folha de S. Paulo reported. The pilot was also killed. São Paulo Governor João Doria called Boechat's death "a great loss for all journalists who believe in the value of freedom of the press and the quality of Brazilian journalism." João Carlos Saad, the chairman of Grupo Bandeirantes, where Boechat worked for much of the latter part of his career, was first to arrive at Boechat's wake, which was open to the public at an area museum.

AMLO Puts New Airport Under Military Control

Mexican President Andrés Manuel López Obrador said Feb. 10 that a newly expanded civilian airport under construction in Santa Lucía will be administered by the Defense Ministry and that the rent will be transferred to the army in order to strengthen its finances, Animal Político reported. Construction to convert the military base into a civilian airport follows AMLO's controversial move to scrap a new \$13 billion airport for Mexico City begun under the previous administration.

Argentina Posts Drop in Industrial Output

Argentina's industrial output decreased by 14.7 percent in December as compared with the same month last year, state statistics agency Indec said on Feb. 4, Reuters reported. The figure follows another double-digit drop the month before and marks the eighth straight month of declines. In a note to clients, Goldman Sachs analyst Alberto Ramos called December's contraction "very large" and said it reflects a "significant tightening of domestic financial conditions."

Mexico Consumer Confidence Picks Up

A key measure of consumer confidence in Mexico rose 11.1 points in January as compared to the same month last year to 112, its highest level since January 2001, state statistics agency INEGI said Feb. 6. The Consumer Confidence Indicator, prepared jointly by INEGI and the Bank of Mexico, recorded monthly growth of 1.9 points in January over last December, in seasonally adjusted terms. Mexicans felt better about the present economic situation of members of their households, the current and future economic situation of the country, as well as the possibility that members of their households can currently make purchases of durable goods. The jump was higher than most market analysts expected. "The significant improvement in the consumer confidence in December-January is hard to square with the weakness in leading indicators of activity and the recent tightening of financial conditions," Goldman Sachs analyst Alberto Ramos told clients. According to another measure of consumer confidence, Ipsos' Global Consumer Confidence Index, Mexico increased 4.4 points in January as compared to the same month last year. The polling company noted that the increase is typical of countries that recently elected a new president. Brazil, which swore in a new president last month, rose 8.7 points over the past three months. Overall, since the election of President Andrés Manuel López Obrador last July, consumer confidence in Mexico has strengthened 25 percent, according to Goldman Sachs.

POLITICAL NEWS

Deadly Protests in Haiti Continue

At least four people have been killed and dozens injured as protests in the capital Port-au-Prince and other cities across Haiti stretched into their fourth day, BBC News reported Feb.

10. Opposition demonstrators accuse President Jovenel Moïse, who took office in 2017, and other officials of corruption. Mayors in several cities have canceled carnival festivities scheduled in early March over the unrest. The latest protests broke out after a court report alleged that officials and former ministers had misappropriated development loans made by Venezuela to Haiti after 2008, suggesting that President Moïse had been involved in irregularities. Protesters stoned the Haitian president's residence, the Associated Press reported. About a dozen police officers were injured during massive protests that turned into riots and shootings on Feb. 8. Rising inflation rates and relentless poverty have also been fueling the protests, according to the report. Haitians have struggled with double-digit inflation for years, along with a sharp drop in the value of the gourde, the national currency, which has fallen 20 percent against the U.S. dollar over the past six months.

U.S. Negotiators Reach Mexico Border Deal 'In Principle'

U.S. House and Senate negotiators on Feb. 11 agreed in principle to a deal on Mexico border security that would avert a government shutdown, The New York Times reported. The agreement would provide \$1.375 billion for fencing and other physical barriers at the Mexican border and allow for 55 miles of new bollard fencing, a slat-like barrier, with some restrictions on location based on community and environmental concerns, according to the report, which cited two unnamed sources involved in the talks. The deal would still need approval by both houses as well as President Donald Trump's signature. The funding for 55 miles of new fencing is a figure far lower than the \$5.7 billion that Trump had demanded last year. Meanwhile, Trump held a rally to "finish the wall" in El Paso, Texas, where he said that he would press forward for more wall construction regardless of congressional approval. "A wall is a very good thing, not a bad thing. It's a moral thing," Trump told Fox News.

FEATURED Q&A / Continued from page 1

effects on efforts to boost financial intermediation and inclusion in Mexico, which is one of the priorities of the new government. It could discourage current and new banking participants. Banks would most likely try to offset this lost revenue and possibly have a negative impact on the supply and terms of financial products.”

A **Greg Ahlgren, partner at Diaz, Reus & Targ:** “There is no doubt that Mexican consumers pay higher banking fees than bank customers in the United States. Now, in the López Obrador era, Mexico may be moving toward a regulatory convergence that places banking fees more in line with those paid by consumers in the United States. First, there was the issue of financial technology (fintech) regulation, signaling the entry by Mexico’s financial system into the forefront of global financial sector evolution. The adoption of new technologies may improve underwriting practices for Mexican financial institutions, which would in turn hopefully pass those efficiency gains to the consumer. In this sense, Mexico’s financial sector is

“**It is clear that the federal government is paying attention to consumer protection, and we cannot help but applaud that.”**

— Greg Ahlgren

also getting a nudge from the new government, which can only result in a net benefit to consumers. Some banking organizations now argue that further regulation is unnecessary, but in the context of the re-evaluation of practices in the pre-Morena era, it is clear that the federal government is paying atten-

tion to consumer protection, and we cannot help but applaud that.”

A **Alfredo Calvo, director and sector lead of financial institutions ratings at S&P Global Ratings:** “We believe the proposal’s passage would have a relatively low impact on Mexican banks. Given that most of the fees and commissions that could disappear are related to credit cards, the consequenc-

“**A better legal framework would help banks improve lending and guarantee collection.”**

— Alfredo Calvo

es of this initiative would vary depending on the weight that credit cards have in each of the Mexican banks’ loan portfolios. Those banks with at least adequate diversification by business line will be better positioned to face such a scenario and offset the impact. In our view, one factor that would be fundamental for allowing Mexican banks to lower their fees and commissions—without damaging their business and financial profiles—is a better legal framework that would help banks improve lending and guarantee collection. In that context, banks would be able to expand at a faster pace and cover more economic sectors and population segments at more competitive lending rates. In fact, the legal framework was one of the most important issues that Mexico’s financial reform of 2014 was supposed to address, but so far has failed to do so.”

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

FINANCIAL SERVICES ADVISOR

is published biweekly by the Inter-American Dialogue, Copyright © 2019

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@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 Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia 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

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@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.