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FEATURED Q&A

What Trends Are Shaping Payments in Latin America?



The payments sector in Latin America took a step toward consolidation with Fidelity National Information Services' announcement of a deal to acquire Worldpay. // File Photo: hloom.com via Flickr.

Q Fidelity National Information Services, or FIS, announced March 18 that it is acquiring London-based payment processing company Worldpay for some \$35 billion in cash and stock. The deal values Worldpay at approximately \$43 billion and creates a giant global payments company. What does the deal between the two companies, both of which serve Latin America, mean for consumers in the region? How does consolidation in the payments sector affect banks and other businesses? What trends are shaping Latin America's payments industry, and how does the region compare to other parts of the world in terms of innovation and leadership?

A Lindsay Lehr, senior director at Americas Market Intelligence: "The acquisition of Worldpay speaks to the increasing consolidation of the payments industry; it is notable that—similar to the acquisition of Digital River World Payments by Worldline in 2017—even already-large, global corporations are being acquired, and not just emerging start-ups. FIS, primarily a provider of financial services such as insurance and corporate payments, is clearly looking to round out its offering by strengthening its position in payments, as well as increasing its international reach. Worldpay is strategically positioned in Latin America as a provider of payment services to leading retail, travel and digital companies, including Rappi, perhaps the region's most exciting start-up—a Colombian on-demand delivery app that has now expanded to seven markets thanks to help from Worldpay. The acquisition by FIS will strengthen Worldpay's value proposition and enable it to provide increasingly sophisticated services to its clients."

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Massy United Starts Offering Insurance in Jamaica

The company's entry into Jamaica will mean increased competition, leading to better prices and terms for consumers, said Finance Minister Nigel Clarke.

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MOBILE PAYMENTS

Mexico Seeing Interest in Mobile Payments System

Several companies have expressed interest in the new system, said central bank chief Alejandro Díaz de León.

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BANKING

U.S. Sanctions Venezuelan State-Run Bank

The U.S. Treasury imposed sanctions on Venezuelan state-run bank Banes. President Nicolás Maduro's government has distorted the bank's purpose in order to help keep him in power, said Treasury Secretary Steven Mnuchin.

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Mnuchin // File Photo: U.S. Treasury.

BANKING NEWS

U.S. Treasury Sanctions Venezuelan State-Run Bank

The U.S. Treasury on March 22 imposed sanctions on Venezuelan state-run bank Banco de Desarrollo Económico y Social de Venezuela, or Banes, and four related institutions, the Treasury said in a statement. The sanctions were the latest move to increase pressure on Venezuelan President Nicolás Maduro and followed

“**Roberto Marrero and other political prisoners must be released immediately.**”
—Steven Mnuchin

government agents' arrest last week of Roberto Marrero, the chief of staff of Venezuelan National Assembly President Juan Guaidó, who has international recognition as the country's acting president. “The regime's continued use of kidnapping, torture, and murder of Venezuelan citizens will not be tolerated by the U.S. or the international coalition that is united behind President Guaidó,” U.S. Treasury Secretary Steven Mnuchin said in a statement. “Roberto Marrero and other political prisoners must be released immediately.” The sanctions freeze any assets that Banes or its subsidiaries have under U.S. jurisdiction and prevent U.S. citizens from any dealings with the state-run bank. “The willingness of Maduro's inner-circle to exploit Venezuela's institutions knows no bounds,” Mnuchin said in the statement. “Regime insiders have transformed Banes and its subsidiaries into vehicles to move funds abroad in an attempt to prop up Maduro. Maduro and his enablers have distorted the original purpose of the bank, which was founded to help the economic and social well-being of the Venezuelan people, as part of a desperate attempt to hold onto power,” he added. The sanctions also

apply to Banes subsidiaries, including Banco Banes Uruguay. The Treasury's statement said Maduro attempted to move more than \$1 billion out of Venezuela early this year through the Uruguay subsidiary. Over the past decade, the China Development Bank has provided Banes with billions of dollars in exchange for oil, Reuters reported. Earlier this year, the United States slapped sanctions on Venezuelan state oil company PDVSA and also on Venezuelan security forces that support Maduro. Additionally, the White House revoked the visas of top officials and relatives of Maduro's government, Politico reported. [Editor's note: See related [Q&A](#) in the Feb. 28-March 13 issue of the Financial Services Advisor.]

Brazil's Bradesco Hits 100 Mn Interactions Through AI Platform

Brazilian bank Bradesco has reached 100 million interactions through its artificial intelligence, or AI, platform, and it's looking to start generating revenue through the system this year, ZDNet reported March 25. Bradesco, the South American country's second-largest private lender with more than 71 million customers, has seen the number of users in its AI service increase four-fold since February of last year. Approximately 14 million customers use it. Bradesco launched the AI platform, Bradesco Inteligência Artificial, in 2016, but 75 percent of the interactions through the system have occurred over the last 12 months, according to the report. The service can answer text, chat or voice-based questions about products or services through the bank's app, WhatsApp or Google Assistant. The bank is aiming to start generating more business through the AI platform this year, introducing more complex operations such as loans and investments, ZDNet reported. About 90 percent of the bank's services are already available on its app, but sales made via mobile are just roughly 20-30 percent of the bank's overall business volume, Forbes reported earlier this year. “It's a low [percentage],” Mauricio Minas, Bradesco's executive vice president, told Forbes. “We want to

NEWS BRIEFS

Citigroup Expects Higher Revenues From Brazil

Citigroup's chief executive in Brazil said the bank expects fees from advising on public asset sales and a revival in capital markets could bring annual revenue from \$1.1 billion today to \$1.5 billion in the coming years, Reuters reported March 18. Marcel Marangon did not cite a timeframe, but added that Citi is also planning to expand its commercial banking division in the South American country, according to the report. Citi sold its consumer banking business in Brazil to Itaú Unibanco in 2016.

López Obrador, Head of Mexican Bank Association Call for More Competition

Mexican President Andrés Manuel López Obrador and the leader of the country's banking association on March 22 said there should be more competition among Mexico's banks so that commissions are lowered and more people enter the formal banking system, Reuters reported. The government is open to the idea of allowing more licenses for the creation of new banks, López Obrador said at a convention in Acapulco. López Obrador also said he would not push for new laws to regulate the commissions that banks charge.

Massy United Insurance Starts Operations in Jamaica

Massy United Insurance has started offering its products in Jamaica, where it has opened a branch, Caribbean 360 reported March 15. The company already has operations in 18 other English- and Dutch-speaking islands in the Caribbean. Jamaican Finance Minister Nigel Clarke said Massy's entry into Jamaica's insurance market will mean increased competition, leading to better prices, terms and savings for customers.

increase sales in that channel," he said, adding that the goal is to increase mobile sales to 50 percent this year.

MOBILE PAYMENTS NEWS

Mexico Seeing Interest in Mobile Payments System

Several companies, including Uber, have expressed interest in using the Mexican central bank's new mobile payments system, the head of the bank said March 22, Reuters reported. In an interview with the wire service, Alejandro Díaz de León said the bank was seeking to educate companies about how the program could be used, adding that the ride-hailing



Díaz de León // File Photo: Notimex.

company had shown interest. He noted that many prospective users were exploring how the platform, called CoDi, could work for them. CoDi would allow customers to make and receive payments through their smartphones free of charge. "In general, I'd say there is lots of interest in understanding the platform," Díaz de León said. "The idea is to listen to all of these potentially interested companies and see how we can ... incorporate the biggest quantity of possible users to the platform. And they can be of all kinds," he added. Amazon and Argentina-based MercadoLibre have also shown interest in the payments platform. Earlier this month, Banco de México said a pilot project would be launched within the next several weeks, El Universal reported. The central bank seeks to promote financial inclusion with the new mobile payments system, in a country



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To learn more about the conference and to register, click [here](#)

where more than 50 percent of the population, roughly 42 million people, doesn't have bank accounts.

POLITICAL NEWS

South American Presidents Launch New Regional Bloc

A group of South American presidents on March 22 launched Prosur, a new regional bloc set to replace the Union of South American Nations, or Unasur, the Associated Press reported. The founding presidents, from Argentina, Brazil, Chile, Colombia, Ecuador, Paraguay and Peru, said they were committed to “renew and strengthen” regional integration under a more flexible and effective framework. “Today has been a good day for collaboration, dialogue, un-

“Today has been a good day for collaboration, dialogue, understanding and the integration of South America.”

— Sebastián Piñera

derstanding and the integration of South America,” Chilean President Sebastián Piñera, who hosted the meeting of South American heads of state in Santiago, said at the event. Piñera had previously attributed Unasur's failure to “an excess of ideology and bureaucracy.” Late Venezuelan President Hugo Chávez had promoted Unasur, which was created in 2008 when many countries had leftist leaders, to counter U.S. influence in the hemisphere. Over the years, the 12 nations that formed Unasur suspended their memberships over leadership differences, as well as for the bloc's failure to take action in crisis-wracked Venezuela. The current Venezuelan leader and Chávez's successor, Nicolás Maduro, was not invited to the Prosur meeting, according to the AP. In announcing the creation

ADVISOR Q&A

Should Guatemala Grant Amnesty for Civil War Crimes?

Q A scheduled vote in Guatemala's Congress granting amnesty for war crimes was suspended on March 13 after several lawmakers walked out, leaving the session without a quorum, *The New York Times* reported. The proposal would have freed more than 30 former soldiers and paramilitaries convicted of human rights crimes during Guatemala's 36-year civil war. The bill would also halt thousands of investigations. What's behind the latest controversy over Guatemala's war crime process? To what extent is the issue being politicized ahead of the June presidential election? How could the Central American country's human rights mechanisms be improved?

A Édgar Gutiérrez, former Guatemalan foreign minister: “The law of national reconciliation extinguishes criminal responsibility for political crimes and related common crimes, but it does not apply to genocide, torture, forced disappearance or to crimes not subject to the statute of limitations under domestic law and international treaties. When preparing the law nearly 23 years ago, there were two sides of the debate. On one hand, the government, the army and the guerrillas furtively slipped a sort of end-point law to free perpetrators of crimes against humanity from all responsibility. On the other hand, a civilian-led coalition of victims and human rights defenders accepted the criminal prescription of political crimes to make peace viable, but not of those related to atrocious and large-scale acts. The latter

of Prosur in January, Colombian President Iván Duque said the new regional group would work to “coordinate South American nations on public policies, the defense of democracy, the

won. This means that the reform that the ‘corrupt pact’ wants Congress to pass is destined to fail because it's unconstitutional. The deputies intend to restore military jurisdiction—which was eliminated in 1996—and total amnesty to war criminals, including those who have been tried in court and are serving sentences. Since 1999, the public ministry has taken to court 16 cases of human rights violations during the conflict, resulting in the imprisonment of 42 retired military and paramilitary leaders and one former guerrilla member. If the reform is destined to sink, why are deputies promoting it? Retired militaries in Congress and the executive, in full political proselytism, are operating as interest groups. They are stuck in 1980s politics, when the Guatemalan state and the world functioned quite differently. Then there are hyper-conservative civilians who finance pro-impunity campaigns. They still use language reminiscent of the Cold War era, and in their mind, there is only a binary society of communists and anti-communists. The reform came up in 2017 when Jimmy Morales' attacks against the CICIG began, and the ‘corrupt pact’ formed. The amnesty law unites all these actors. The lost cause of the reform means a new social confrontation is looming, just as the electoral period begins.”

EDITOR'S NOTE: More commentary on this topic appears in the March 26 issue of the *Latin America Advisor*.

separation of powers and a market economy,” *El Tiempo* reported. [Editor's note: See related [Q&A](#) in the Jan. 31 issue of the daily *Latin America Advisor*.]

NEWS BRIEFS

Spain Rejects Mexican President's Demand for Apology for Conquest

The Spanish government has rejected Mexican President Andrés Manuel López Obrador's demands for an apology for the abuses that Spanish conquistadors committed, *El País* reported March 26. López Obrador had sent a letter, dated March 1, to Spanish King Felipe VI urging him to ask for forgiveness. The Spanish government in a statement said it "emphatically rejects" the contents of the letter, saying "the arrival of Spaniards 500 years ago to present-day Mexican territory cannot be judged in light of contemporary considerations."

Prince Charles, Camilla Meet With Díaz-Canel

Prince Charles and his wife, Camilla, on March 25 met with Cuban President Miguel Díaz-Canel as part of the British royals' first official trip to Cuba, Reuters reported. "The visit expresses the good state of our relations," Díaz-Canel wrote on Twitter. British Foreign Secretary Jeremy Hunt told his Cuban counterpart in a phone call the same day that he hoped the visit would boost cooperation.

Former Brazilian President Temer Released From Jail

A Brazilian judge on March 25 freed former President Michel Temer from jail, four days after he was arrested on corruption charges, *The Wall Street Journal* reported. Temer is still under investigation and faces prison time if he is tried and convicted. However, Judge Antonio Ivan Athié ruled that the crimes that Temer allegedly committed happened too long ago to require his detention before trial. Temer and nine associates, who were also ordered to be freed, are accused of taking as much as half a billion dollars in bribes related to construction contracts at a nuclear power plant.

Lapin Tapped as Haiti's Acting Prime Minister

Haiti's president on March 21 named Jean-Michel Lapin, the country's culture and communications minister, as his government's acting prime minister, *Agence France-Presse* reported. The move followed lawmakers' vote to censure Prime Minister Jean-Henry Céant, saying he had failed to improve the country's living conditions. Céant had been the target of nationwide protests in February. On March 21, Céant tendered his resignation.

Guatemalan Judge Issues Warrant for Candidate's Arrest

A Guatemalan judge has issued an arrest warrant for former attorney general and current presidential candidate Thelma Aldana, a court said March 19, but her candidacy gives her immunity from prosecution, *Prensa Libre* reported. A spokeswoman for Guatemala's Supreme Court said the warrant is related to a corruption investigation alleging some form of embezzlement, but authorities have not provided further details, the Associated Press reported. Aldana, 63, who is running with the relatively new Seed Movement party and is polling in second place, has denied wrongdoing. She was the Central American country's top prosecutor from 2014 to 2018 and led some of the country's most prominent investigations. Among them was the case against former President Otto Pérez Molina who, along with other politicians, was jailed for corruption. Aldana worked closely with the U.N.-backed International Commission Against Impunity in Guatemala, or CICIG, to try to lift President Jimmy Morales' immunity to start a probe into his alleged involvement in illicit campaign financing in 2015. The president has denied wrongdoing, and attempts to remove his immunity have failed in Congress. [Editor's note: See related [Q&A](#) in the Sept. 20 issue of the daily Latin America Advisor.]

ECONOMIC NEWS

Brazil's Bolsonaro Proposes Military Pension Reform

Brazil's government on March 20 sent lawmakers a proposal that seeks to save a net 10.45 billion reais (\$2.8 billion) over 10 years by imposing tougher retirement rules for the military, *The Wall Street Journal* reported. President Jair Bolsonaro, a retired army captain, personally went to Congress to deliver the military pension reform plan, accompanied by Economy Minister Paulo Guedes and Defense Minister Fernando Azevedo, as well as army commander Edson Leal Pujol, *Folha de S.Paulo* reported. The government's bill would raise payroll contributions to 10.5 percent from 7.5 percent and increase the minimum number of years members of the military would have to serve before retiring. Military police and firefighters would also be affected. The conservative government submitted the military pension reform proposal exactly one month after delivering its plans for a major pension overhaul that would save more than \$240 billion in taxpayer money over 10 years if approved in its current form. However, analysts expect Congress will water down the reform.

Argentina's Economy Contracts 2.5 Percent

Argentina's economy contracted 2.5 percent last year, the country's official statistics agency said March 21, *Bloomberg News* reported. It was Argentina's worst performance since 2014, when it defaulted on its debt under the previous government. GDP dropped 6.2 percent in the last quarter of 2018, as compared to a year earlier, the worst quarterly performance since 2009, according to the report. Analysts had forecast a 6.4 contraction. Unemployment also rose in the fourth quarter, by a notch to 9.1 percent from the previous period. [Editor's note: See related [Q&A](#) in the Feb. 19 issue of the daily Latin America Advisor.]

FEATURED Q&A / Continued from page 3

A **Wally Swain, managing editor of Mirador Communications:** “This merger is deep in the ‘engine room’ of the payments world, so consumers and online vendors will not see any impact except perhaps in transaction fees. Today, payments are limited to credit/debit cards, some country-specific solutions and a few universal online payments systems like PayU. PayPal now permits consumers in most Latin American countries to sign up, but, for Colombia at least, a vendor hoping to use PayPal must register through an ‘alliance partner’—Nequi, which

“**There will be no major innovation until regulators and large banks loosen their grip and bring their concepts into the 21st century.**”

— Wally Swain

is a division of the country’s largest bank, BanColombia. Guess where your bank account must be. Online vendors complain that they have to establish subsidiaries in each country in which they want to do business. This is not normally an issue for multinational, multilatin and pan-latina companies such as MercadoLibre. However, small vendors that sell subscription-based and other online services find country-specific subsidiaries an expensive and cumbersome obligation. As to point-of-sale ‘innovation,’ Colombians still must sign credit card receipts. Incredibly, all my Colombian credit cards have chips and must be inserted into the chip reader at point-of-sale terminals, but I have no PIN, and I must sign every time, no matter the amount. No tap-and-go for Colombians unless the merchant wants to print out a receipt and have the customer stop and sign. This merger in the plumbing

of payments will bring efficiencies for banks and large retailers. But there will be no major innovation until regulators and large banks loosen their grip and bring their concepts into the 21st century.”

A **Kai Schmitz, leader of FinTech Investment for Latin America at the IFC Global FinTech Investment Group:** “Latin America has a low penetration of electronic payments as compared to similar countries in other regions, in particular in Asia. With the exception of payment cards in Brazil, neither cards nor wallets have taken off in Latin America. The reasons are manifold: high concentration in the card issuing and acquiring market, regulatory barriers and poor payment infrastructure. However, the tide may be turning. Regulators have begun initiatives to break open uncompetitive markets by creating new regulated entities such as the SEDPE in Colombia, which allow non-bank issuers to offer wallets and other prepaid instruments. They are also deregulating merchant acquiring to make it easier for new entrants to compete with the dominant existing players and offer better solutions. The benefits of electronic payments are well documented: higher efficiency, lower processing costs, better security and access to data that can be used for various purposes from loan underwriting to electronic tax filings. But in most cases, innovation does not come from the large global payment processors or card networks, but rather from innovative new financial technology companies such as Stone in Brazil, Minka in Colombia and others. For the region to be able to catch up on electronic payments, it needs scalable and affordable solutions that offer consumers and small businesses the ability to benefit from electronic payments.”

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

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