

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 Carvalho
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,
Alvarez and Marsal

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

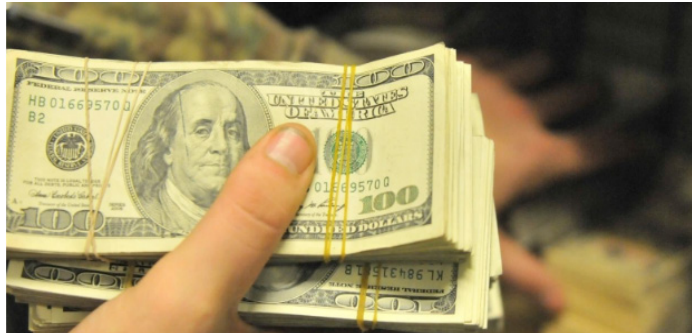
Jan Smith
Partner,
KoreFusion

Roberto Teixeira da Costa
Founder & Board Member Emeritus
CEBRI

Mario Trujillo
CEO,
DolEx Dollar Express

FEATURED Q&A

How Can Countries Get the Upper Hand Against Launderers?



Latin American countries including Colombia have struggled to fight money laundering, according to the Basel Anti-Money Laundering Index. // File Photo: U.S. Army.

Q Colombia was among the countries whose effectiveness at fighting money laundering declined over the past year, according to the Basel Anti-Money Laundering Index, released by the Basel Institute on Governance. Offshore financial centers, including Grenada and Saint Lucia, are among the index's lowest-performing countries in fighting money laundering. Why are Colombia and Caribbean nations lagging in the index? What more should they be doing to fight money laundering? Which countries in Latin America and the Caribbean are doing the best job at combating such crimes, and can their practices be emulated elsewhere?

A Michael Carter, senior director in the financial crimes team at Alvarez & Marsal: "Indicators that relate directly to any country or region's ability to fight financial crime include political stability, effectiveness of government, regulatory quality, rule of law and level of violent crime. According to indicia most recently measured by the World Bank, Colombia is among the countries seeing regressions in these measurements. Specifically, Colombia is in the bottom half of countries in three of the five categories, and it ranks in the dismal 16th percentile in political instability and politically-motivated violence. As most countries do not operate in vacuums, it's no coincidence that the devolving situation in Venezuela could be a contributing factor to Colombia's money laundering issues as people, capital and criminals flee the country for 'greener' pastures. Neighboring Panama is listed as one of FATF's global high-risk jurisdictions, and Ecuador ranks in the bottom half of all five aforementioned measurements. Grenada and Saint Lucia,

Continued on page 3

TOP NEWS

FINANCIAL SERVICES

Banco do Brasil, UBS Eyeing Joint Venture: Report

The Brazilian state-controlled lender and UBS Group are reportedly in advanced talks about an investment banking joint venture.

Page 2

CREDIT CARDS

Mastercard Halts Services to Two Venezuelan Banks

Due to U.S. sanctions against Venezuela's government, Mastercard has suspended its services to Bank of the Bolivarian National Armed Forces and Agricultural Bank of Venezuela.

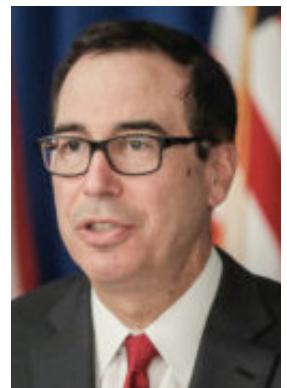
Page 3

REMITTANCES

U.S. Toughens Restrictions on Cuba Remittances

Under new rules that take effect in October, Cuban-Americans will be able to send just \$1,000 per quarter to relatives on the island. Treasury Secretary Steven Mnuchin blasted Cuba for supporting Venezuelan President Nicolás Maduro.

Page 2



Mnuchin // File Photo: U.S. State Department.

FINANCIAL SERVICES NEWS

Banco do Brasil, UBS Reportedly in Talks for Joint Venture

Brazilian state-controlled lender Banco do Brasil and UBS Group are engaging in advanced talks about an investment banking joint venture, according to two sources with knowledge of the matter, Reuters reported Sept. 6. The Brazilian bank confirmed in a securities filing that it was talking with potential partners for its investment banking unit, but the filing did not specify a partner. In the filing, Banco do Brasil said it is "considering alternatives to increase its capital markets activity that may include the reorganization of its investment banking unit and potential partnerships," *O Estado de S. Paulo* reported. The deal, which would combine Banco do Brasil's investment banking unit and UBS' Brazil division, could be signed as soon as next month, the sources told Reuters. UBS would have a controlling stake to avoid operational hurdles, the sources added. Banco do Brasil has been looking for partners since last year in an effort to boost its investment banking business and had been in talks with several banks, but the presidential election last October interrupted the process, Reuters reported. The search was resumed in March, when new chief executive Rubem Novaes began his term, according to the report.

Mexico's Credijusto Raises \$42 Million in Financing Round

Mexican online lender Credijusto has raised \$42 million in a financing round, with Goldman Sachs, Point72 Ventures and others investing in the fintech, Credijusto said Aug. 29 in a statement. "This equity raise provides a further boost to the company in its mission to expand credit access for SMEs throughout Mexico," said Credijusto. "Proceeds will be used to support the company's rapid growth trajectory

and to launch new products, including digital advisory services and a credit card for SMEs." The financing round comes five months after the lender closed a \$100 million credit facility with Goldman Sachs, the statement added. "Credijusto's tech-enabled approach to meeting the financial needs of Mexico's underserved SME segment has huge potential. This is a very large market opportunity in which, after four years of rapid growth, the company has significant competitive advantages," said Pete Casella, a partner at Point72 Ventures. Other investors include Thomvest Ventures, Wolfson Group, Third Lake Capital and Argo Ventures, in addition to existing investors Kaszek Ventures, QED Investors, Broadhaven Capital Partners, John J. Mack and Supernode Ventures. Credijusto said that since it launched four years ago, it has originated more than \$90 million in term loans and leases. The Mexico City-based company has 200 employees.

REMITTANCES NEWS

U.S. Reduces Amount of Remittances That Can Be Sent to Cuba

The administration of U.S. President Donald Trump on Sept. 6 toughened sanctions against Cuba, lowering the amount of money that Cuban-Americans can send to family members in the communist nation, the Associated Press reported. The Treasury Department set a new per-person limit of \$1,000 that can be sent to the island each quarter. The new limit takes effect Oct. 9. The changes also eliminate donation remittances, which had allowed Americans to send money to organizations and friends in Cuba, the *Miami Herald* reported. The Trump administration will continue to allow money transfers to nongovernmental organizations and people in the private sector in order to aid their development "independent of government control," the Treasury said. Americans are still barred from sending money to senior officials of the Cuban Communist Party, but the Treasury's Office of Foreign Assets Control,

NEWS BRIEFS

Brazil's Caixa Expects IPO of Insurance Unit This Year: Chief Executive

Brazilian state-owned bank Caixa Econômica Federal expects to hold an initial public offering of its insurance unit this year, but it has delayed its card business' IPO to next year to avoid competition for the same investors in the insurance share sale, CEO Pedro Guimarães said Sept. 3, Reuters reported. "It doesn't make sense to take two operations of this size to market almost simultaneously," he said. Guimarães added that regulatory hurdles are delaying the planned IPOs for several of the bank's subsidiaries.

Bank Loans Fall, Defaults Rise in Brazil

The number of outstanding bank loans in Brazil dropped 0.2 percent in July, as compared to the previous month, to 3.290 trillion reais (\$793 billion), or some 46.9 percent of gross domestic product, the country's central bank said on Aug. 28, Reuters reported. Loan defaults rose to 4.0 percent from 3.8 percent in June, while lending spreads expanded to 31 percentage points, from 31.5 percentage points a month earlier, the central bank said.

Spain's Santander to Boost Stake in Mexican Unit

Spain's Santander will increase its stake in its Mexican unit to 91.65 percent from 74.96 percent following a stock exchange offer, Reuters reported Sept. 9, citing a statement by Santander to Spain's banking regulator. Last April, Santander said it would take full control of its operation in Mexico through an all-share deal worth nearly 2.6 billion euros (\$2.87 billion). However, not all shareholders accepted the offer, so the deal will instead be for approximately 1.7 billion euros. The deal is to be materialized by Sept. 17.

or OFAC, under the new rules is extending that prohibition to close relatives of senior party officials. “We are taking additional steps to financially isolate the Cuban regime,” Treasury Secretary Steven Mnuchin said, the AP reported. He also blasted Cuba for its support of Venezuelan President Nicolás Maduro. “The

“**We are taking additional steps to financially isolate the Cuban regime.**”

— Steven Mnuchin

United States holds the Cuban regime accountable for its oppression of the Cuban people and support of other dictatorships throughout the region, such as the illegitimate Maduro regime,” Mnuchin added. “Through these regulatory amendments, Treasury is denying Cuba access to hard currency, and we are curbing the Cuban government’s bad behavior while continuing to support the long-suffering people of Cuba.” The Obama administration removed limits on family remittances in 2009, but the Trump administration has reversed course.

CREDIT CARD NEWS

Mastercard Suspends Services to Two Venezuelan Banks

New York-based Mastercard has suspended its services to two Venezuelan banks due to U.S. sanctions aimed at forcing President Nicolás Maduro from power, Reuters reported Sept. 4. In a Twitter post, the state-run Bank of the Bolivarian National Armed Forces said it “denounces to its civilian and military clients ... the suspension of interbank services for its credit cards on the part of the American company Mastercard.” The U.S. Treasury Department in March told the three largest card facilitators in the United States—Visa, Mastercard and American Express—that they could not

FEATURED Q&A / Continued from page 1

however, rank much higher across the World Bank rankings, indicating other sources of money laundering weaknesses. While political stability and quality may not be at issue, the 2018 U.S. Department of State International Narcotics Control Strategy Report named 15 Caribbean countries, including Saint Lucia and Grenada, as having ‘significant amounts of proceeds from international narcotics trafficking.’ Stable governments in smaller countries are able to facilitate transactions more easily across the globe than countries similar to Colombia and Venezuela—certainly an attractive characteristic for those looking to move dirty money. Understanding the real sources of jurisdictional risk, governments, trade flows, typologies and regional connectivity is key to emulating and implementing effective best practices to fight financial crime.”

A **Javier Coronado, associate attorney at Diaz, Reus & Targ, LLP:** “In 2019, Colombia recorded a higher money laundering (ML) risk rating because the Basel Anti-Money Laundering (AML) Index is now following a methodology that points to longstanding gaps that Colombia has in the effective implementation of an AML framework. Specifically, the Financial Action Task Force (FATF) Mutual Evaluation Reports, a key indicator in the Basel AML Index, now emphasize the effectiveness of AML systems and not only technical compliance with the 40 FATF recommendations. Therefore, it is no longer enough for Colombia to have AML laws

continue doing business with Venezuelan state institutions after March 2020. Mastercard also suspended its services to Agricultural Bank of Venezuela, the Associated Press reported. It is unclear what the practical impact of the suspensions will be, because the banks are small. Hyperinflation has disrupted traditional financial practices in Venezuela’s shattered economy, and accurate data on transactions is not readily available. Some media reports

in place: the country needs to effectively investigate and prosecute ML and confiscate the proceeds of crime in a manner that is commensurate with its ML risks. It also needs to improve on its supervision of finan-

“**Uruguay and Chile have high levels of transparency and integrity in their public institutions and businesses.**”

— Javier Coronado

cial institutions and designated non-financial businesses and professions, including supervision on their compliance with beneficial ownership information and customer due diligence requirements. According to the Basel AML Index, the two countries in the region with the lowest ML risks are Uruguay and Chile. While every country should take actions to fight ML consistent with its own risk profile, countries such as Colombia that wish to improve their ranking can take guidance from them in certain characteristics. Uruguay and Chile have authorities with the resources to investigate and prosecute ML and issue sanctions for noncompliance. They also have financial sectors with robust supervisory authorities and minimal cash-based transactions. Moreover, Uruguay and Chile have high levels of transparency and integrity in their public institutions and businesses.”

Continued on page 6

suggest Venezuelans have reduced use of credit cards, whose credit limits rarely keep up with price increases, while others suggest consumers are using credit cards more often amid a scarcity of cash. The Bank of the Bolivarian National Armed Forces underscored that Mastercard has “suspended” and “not terminated” its agreements with the two Venezuelan banks, leaving open a possibility that the terms could be reached to resume normal activities. Ven-

ezeulan bank regulators have assigned teams to develop alternative payment processing systems, anticipating that U.S. sanctions will continue to disrupt transactions, the Associated Press has reported.

POLITICAL NEWS

Extrajudicial Killings Continuing in Venezuela: Bachelet

Extrajudicial killings appear to still be occurring in Venezuela, and the country's Special Action Forces, which is believed to be responsible for the killings, is receiving support from Venezuela's government, United Nations human rights chief Michelle Bachelet said Sept. 9, Reuters reported. The special police force, known as FAES, is believed to have executed 57 people in Caracas just in July, Bachelet said, citing non-governmental organization Victims' Monitor. In addition to the possible executions, Bachelet told the U.N. Human Rights Council that her office had recorded instances of torture against soldiers as well as arbitrary detentions. In July, Bachelet issued a report with details from witnesses describing activities of FAES death squads. At the time, Venezuela's government called the report a "selective and openly partial vision" that did not take government-issued information into account. In addition, Bachelet said groups that collaborated with her in the July report have faced threats by senior government officials in the South American country, the Associated Press reported. "Reprisals for having cooperated with the United Nations are unacceptable," she said. "I urge the authorities to take preventative measures." Additionally, Bachelet expressed concern about a proposed law in Venezuela that would outlaw activities by human rights groups that receive money from abroad. The proposal could further erode democracy in Venezuela, said Bachelet. The former Chilean president added that there have been some advances, including an allowed visit by a member of her staff to the Ramo Verde military prison, where authorities hold

COMINGS & GOINGS

Vice Media's Virtue Announces New Global Leadership Team

Virtue, Vice Media's creative agency, on Aug. 26 announced its new global leadership team, with Rob Newlan as global president, Krystle Watler as managing director for North America and Simon Mogren as executive creative director for the United States. Watler previously served as Virtue's senior vice president and head of business development in North America and now will oversee all agency operations across its Brooklyn, Los Angeles, Austin and Toronto offices, the firm said in a statement.

Byles Begins Term as Bank of Jamaica Governor

Richard Byles on Aug. 19 began his tenure as the new head of the Bank of Jamaica, the Jamaica Observer reported. He replaced Bryan Winter to become the 12th governor of the Caribbean nation's central bank. Before assuming this position, Byles co-chaired the Economic Programme Oversight Committee, or EPOC, which was created to monitor Jamaica's performance under its agreement with the International Monetary Fund. Prior to that, he served as the chairman of the Sagicor Group of companies and beer manufacturer Red Stripe, according to the report.

Credicorp Capital Names New Portfolio Solutions Director for Latin America Business

Credicorp Capital has appointed Klaus Kaempfe as the new director of portfolio solutions for its regional asset management business in Latin America, the firm said Aug. 15. Based in Chile, Kaempfe will be responsible for the firm's asset allocation and investment strategy, as well as overseeing client discretionary mandates, the company said in a statement. Previously, Kaempfe served as Credicorp's portfolio solutions manager for Latin American clients, and before that he held positions at Itaú Unibanco's Chilean branch. Credicorp Capital Asset Management has businesses in Chile, Colombia and Peru, managing more than \$8.9 billion in assets across the three countries.

Guatemalan President-elect Announces Several Cabinet Members

Guatemalan President-elect Alejandro Giammattei has announced part of his cabinet, EFE reported Aug. 13. Among the appointments, Hugo Monroy will serve as the country's health minister, former congressional candidate Rafael Lobos will take over the labor portfolio, and Claudia Ruiz will head the Education Ministry. Additionally, Alberto Pimentel will be the energy and mines minister, while Mario Rojas will take over the environment ministry. Álvaro González, who previously served as a deputy for the CREO party, will serve as Giammattei's finance minister. Giammattei is set to take office on Jan. 14.

NEWS BRIEFS

Death Toll Rises to 50 in Bahamas Following Hurricane Dorian

The death toll in the Bahamas from Hurricane Dorian continued to climb on Sept. 9, reaching 50 as more victims were reported and rescue efforts are underway, officials said, NBC News reported. Forty-two bodies were found in Abaco Island, and eight others in Grand Bahama Island, according to Anthony Ferguson, commissioner of Royal Bahamas Police Force. Thousands of people are still missing.

Mexico Reduces Flow of Immigrants to U.S. by More Than Half: Ebrard

Mexico has reduced the number of immigrants traveling through its territory toward the United States by more than 50 percent over the past three months, Mexican Foreign Minister Marcelo Ebrard announced Sept. 6, The New York Times reported. Earlier this year, U.S. President Donald Trump threatened to slap tariffs on Mexican imports unless the country did more to stem the flow of migrants heading north.

Salvadoran President Launches OAS-Backed Anti-Corruption Panel

Salvadoran President Nayib Bukele on Sept. 6 announced the launch of an independent commission to fight corruption, known as the International Commission Against Impunity in El Salvador, or CICIES, Reuters reported. Bukele said he created the agency, which the Organization of American States will back, through presidential decree. The United Nations is also considering a request from Bukele to support the commission, which was inspired by CICIG, a similar U.N.-backed anti-graft body in Guatemala. [Editor's note: See related [Q&A](#) in the Aug. 22 issue of the Dialogue's daily Latin America Advisor.]

people the opposition considers to be political prisoners. Her office and the government also agreed to a schedule for future visits, Bachelet added. Additionally, Venezuela has released 83 people who had been jailed following arrests that human rights groups have considered arbitrary, said Bachelet, adding that authorities have agreed to review more than two dozen other cases. Bachelet also urged President Nicolás Maduro's government and opposition leader Juan Guaidó to return to talks mediated by Norway, and she reiterated her support for those talks. Socialist party leader Diosdado Cabello, who is seen as the second most powerful person in Venezuela after Maduro, said no one focused on right-wing abuses that were committed under Venezuela's previous right-wing governments or by right-wing governments in other countries, including Chile, the AP reported. "We're not going to lose any sleep over whatever Ms. Bachelet says," said Cabello. "She doesn't fool us."

Guatemala Deploys Troops Following Soldiers' Deaths

Thousands of Guatemalan soldiers were sent on Sept. 9 to six departments in an area near the country's borders with Honduras and Mexico, where suspected drug traffickers are blamed for recently killing three soldiers, El Periódico reported. Defense Minister Luis Miguel Ralda told reporters that 2,000 soldiers had been deployed as part of a mission following the soldiers' deaths, which prompted the government to declare a state of siege last on Sept. 4. The Central American nation's Congress on Sept. 7 approved the emergency measure, which sets a night-time curfew, prohibits protests and makes it easier for the armed forces to detain people, Reuters reported. "We expect them to bring calm, security and peace to the people of this region," Ralda told reporters, in reference to the deployed troops. On Sept. 9, soldiers stopped and inspected passing vehicles in the northeastern department of Izabal, and they also set up new bases there. Ralda recognized that the area

is a lawless one due to extortion and other drug-related crime, the wire service reported. A drug trafficking route that connects Honduras to Mexico cuts through the region, where conflicts among locals and landowners, miners and palm oil plantations, as well as indigenous communities, have been ongoing for decades, Reuters reported. The state of siege is to last 30 days.

ECONOMIC NEWS

Europe Committed to Ties With Cuba: E.U. Foreign Policy Chief

The European Union is committed to its ties with Cuba, E.U. foreign policy chief Federica Mogherini said Sept. 9 during a three-day trip to Havana, Agence France-Presse reported. Mogherini's visit came amid stepped-up efforts by the United States to pressure the communist-run nation. "Cuba is a key partner for us," Mogherini said during a news conference alongside her Cuban counterpart, Bruno Rodríguez. "The E.U. is Cuba's top commercial part-



Mogherini and Rodríguez spoke to reporters Sept. 9 in Havana. // Photo: Granma.

ner and investor, and we have tripled cooperation in the last two days," she added, Reuters reported. Mogherini, who also met with Cuban President Miguel Díaz-Canel, said the European Union could help the Caribbean nation update its economy, as well as boost investment. Europe began normalizing relations with Cuba about the same time as the United States did five years ago, but the administration of U.S. President Donald Trump has since reverted to tough sanctions against Cuba's government.

FEATURED Q&A / Continued from page 3

A **Mimi Yagoub, Medellín-based freelance journalist:** “Many countries in Latin America and the Caribbean have highly lucrative criminal economies, well-oiled money laundering machines and state institutions that are often poorly resourced or vulnerable to corruption, seriously weakening the fight against money laundering. On paper, countries can be compliant with anti-money laundering standards, but the effective implementation of such tools leaves a lot to be desired. This is apparently one of the main reasons that countries such as Colombia fell in the rankings this year. In general terms, Colombia is lagging behind when it comes to investigating and prosecuting money laundering crimes, and when it comes to addressing certain risks, such as those that simplified joint stock companies (sociedades anónimas simplificadas) and money exchange and fiduciary services pose. And while the Basel Index focuses less heavily on trade-based money laundering, Colombia has a long history of trade-based money laundering and financing of criminal groups, involving for example international contraband, gold and cattle. If these were included, Colombia would probably get a worse result. The geographical position of the Caribbean islands, between South America—a primary producer of valuable goods—and the United States—a consumer of many of those

goods—makes them a natural contraband hub. This contributes to the unregulated economies and illicit proceeds of these countries. Caribbean nations have the added factor of the offshore banking economy. For some small countries such as Saint Lucia, the national economy is largely dependent

“**Colombia has a long history of trade-based money laundering and financing of criminal groups.”**

— Mimi Yagoub

on this sector. Unlike other traditional money laundering havens in other parts of the world, the countries in question are heavily involved in the production or transit of illicit goods, meaning that the fight against money laundering is intrinsically tied to their ability to combat home-grown organized crime. Another factor to keep in mind is that Latin America has very high informal employment rates, as compared to the United States and Europe. This inability to regulate vast sectors of the economy is something that weakens the fight against money laundering.”

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

FINANCIAL SERVICES ADVISOR

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

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@thedialogue.org



Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Héctor Castro Vizcarra, Nonresident Senior Fellow

Julia Dias Leite, Nonresident Senior Fellow

Ariel Fiszbain, Director, Education Program

Peter Hakim, President Emeritus

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Xiaoyu Pu, Nonresident Senior Fellow

Jeffrey Puryear, Senior Fellow

Mateo Samper, Nonresident 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 fretrial@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.

Q&A EVERY BUSINESS DAY

LATIN AMERICA ADVISOR

Subscribers can write editor Gene Kuleta at gene.kuleta@thedialogue.org to suggest topics for the Advisor's daily Featured Q&A section.

SUBSCRIBE