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FEATURED Q&A

Will New Rules Improve Banking for Brazilians?



Brazil's central bank has approved new "open banking" rules that will allow banks to share consumers' data with each other, among other measures. // File Photo: Empresa Brasil de Comunicação.

Q Under new "open banking" rules approved by Brazil's central bank, Brazilian financial institutions can share, at their customers' discretion, account holders' personal and transactional data with other financial institutions. The central bank says the data sharing will promote competition among financial institutions and ease customers' access to better products and services at lower costs. To what extent will the new rules benefit customers? How much does open banking increase concerns about privacy and the security of customers' information, and are consumers adequately protected? How will the change affect Brazilian financial institutions and their business models?

A Candido Botelho Bracher, president and chief executive officer of Itaú Unibanco Holding: "The new open banking rules have the potential to bring better products with lower costs for customers, as they facilitate the comparison among competing offers and conditions. In addition, customers will be able to use information aggregators, which will bring consolidated data about their relationship with different financial institutions, allowing for better planning and control of their finances. Customers will be protected both by the General Data Protection Law and by robust information security systems in the financial system. That said, in Brazil most of the financial fraud to clients is done by social engineering, that is, by groups that manage to persuade clients to deliver information or carry out transactions that enable or characterize fraud. Open banking will bring greater ease and speed to transactions, in addition to a large flow of data between

Continued on page 3

TOP NEWS

BANKING

BBVA Argentina Sees 36.2% Decline in Profit for Q1

BBVA Argentina reported \$3.1 billion in net income for the first quarter, a 36.2 percent decline from the same quarter a year ago.

Page 2

PENSIONS

Colombia May Allow Partial Withdrawals From Pension Plans

The country's government may allow pension fund holders to make partial withdrawals during the economic crisis caused by the Covid-19 pandemic, said Finance Minister Alberto Carrasquilla.

Page 2

FINANCIAL TECHNOLOGY

WhatsApp Launches Payment Feature in Brazil

WhatsApp has launched a payments feature in Brazil that will be free for individual users. Chief Operating Officer Matt Idema said Brazil is among the top countries in which customers use WhatsApp to communicate with businesses.

Page 2



Idema // File Photo: LinkedIn.

BANKING NEWS

BBVA Argentina Sees 36.2 Percent Decline in Profit for Q1

BBVA Argentina on June 8 reported \$3.1 billion in net income for the first quarter, a 36.2 percent decline from the same quarter a year earlier and 20.1 percent lower than the fourth quarter of last year. "The quarter-over-quarter decrease is mainly explained by the fall in economic activity, and the sharp decline in interest rate derived from changes in the country's monetary policy and the beginning of the mandatory lockdown, due to [the] Covid-19 pandemic," Ines Lanusse, the bank's investor relations manager, told analysts in a conference call. Lanusse said the year-over-year decline in profit was mainly explained by the bank's one-time sale of Prisma Medios de Pago, which occurred in the first quarter of 2019.

FINANCIAL TECHNOLOGY NEWS

WhatsApp Launches Payments Feature for Users in Brazil

WhatsApp, which is owned by Facebook, on June 15 launched a payments feature in Brazil, Bloomberg News reported. It will be free for users to make payments using the messaging platform, whether they send to other people or to businesses to pay for goods and services. WhatsApp will charge businesses a fee. The Facebook unit is partnering with Brazilian payments company Cielo to process the transactions, Bloomberg News reported. Over the past two years, WhatsApp has tested a payments feature in several countries, including Mexico and India. However, the rollout in Brazil, where Facebook began testing the feature a month ago, marks the first location where the service will be fully offered. Brazil is among the top countries in which customers use WhatsApp

to interact with merchants, the unit's chief operating officer, Matt Idema, told Bloomberg News. More than five million merchants worldwide use a business version of WhatsApp, and the messaging application is the main, or only, online presence for many small retailers in some countries including Brazil. In Brazil, more than 120 million people use WhatsApp, Reuters reported. "WhatsApp is heavily used there, both by people and small businesses," Idema told the wire service. "We think we can help grow digital payments, help grow the digital economy with small businesses, and help support financial inclusion." WhatsApp hopes the rollout in Brazil benefits customers who are quarantined at home during the coronavirus pandemic, Idema added. "We can't have the kind of interactions with each other that we normally would, if you want to lend someone cash or if you want to buy something from a local business," he told Reuters. Initially, holders of debit and credit cards from Banco do Brasil, Nubank and Sicredi will be able to use the payments service, Reuters reported. In a statement, Visa said it is working with Facebook to power the new payments feature on WhatsApp. The payments on WhatsApp will use the capabilities of Visa Direct and Visa Cloud Tokenization, the payment processor said.

PENSIONS NEWS

Colombia May Allow Partial Withdrawals From Pension Plans

Colombia may allow people to make partial withdrawals from their pension funds during the economic crisis brought on by the coronavirus pandemic, Finance Minister Alberto Carrasquilla said June 10, Reuters reported. As of the end of March, Colombia's pension funds held approximately 281 trillion pesos (\$77.13 billion) in compulsory and voluntary pensions, according to industry association Asofondos, which has opposed the withdrawal plan, El Tiempo reported. "We have made great strides regarding the subject of partial pension

NEWS BRIEFS

Remittances to Mexico Drop 2.6% in April

In April, Mexicans living abroad sent \$2.86 billion back to relatives in Mexico, according to the country's central bank, the Associated Press reported June 5. The amount declined 2.6 percent as compared to April of last year, but Mexico's level of remittances did not drop as sharply as transfers to some other Latin American countries, such as Guatemala and El Salvador. The average remittance amount in April was \$329, according to Mexico's central bank. In the first four months of 2020, Mexico's remittances rose 12.6 percent, year-on-year.

Wells Fargo Reportedly Pulling Payments Service Zelle Out of Venezuela

Wells Fargo has reportedly told clients in Venezuela that it will no longer support payments service Zelle there, one of the most popular services in the Andean nation to send and receive U.S. dollars, Decrypt reported June 8. More than 60 percent of payments in Venezuela's urban centers are made with dollars, and about 12 percent of these payments used Zelle, according to Asdrúbal Oliveros, director of Venezuelan economic consultancy Ecoanalítica. Wells Fargo has not made a formal announcement, and it did not reply to Decrypt's request for comment.

Fitch Assigns Initial Rating of BBB+ to Credicorp

Fitch Ratings on June 9 said it has assigned Peru's Credicorp an initial long-term foreign currency issuer default rating of BBB+ and a short-term issuer default rating of F2 with a negative long-term outlook. The ratings agency also assigned the Lima-based financial holding company's new senior unsecured notes a rating of BBB+. Credicorp's ratings are mainly driven by the issuer default ratings of its main subsidiary, Banco de Crédito del Perú, Fitch said.

withdrawals, we haven't made a decision yet, but there have been meetings within the finance ministry, and we have spoken with pension and severance funds," Carrasquilla said in a virtual appearance before a lower house congressional committee. He did not provide further details about the plan. Colombia is facing rising unemployment amid the economic crisis, with unemployment reaching a historic 23.5 percent in urban areas in April, representing more than four million people without work. Additionally, the finance ministry expects the economy to contract 5.5 percent this year. Similar measures regarding pension withdrawals were proposed in other countries in the region, including Peru and Chile. In Peru, Congress approved partial withdrawals of 25 percent, *El Tiempo* reported. A similar proposal failed in Chile.

REMITTANCES NEWS

U.S. Sanctions Cuban Companies Including Remittance Firm

The United States on June 3 added seven Cuban companies and hotels to its list of entities under sanctions, *Agence France-Press* reported. The list includes Fincimex, a financial company that handles remittances to the Communist-run island, as well as hotels and other hospitality businesses controlled by the Cuban military, the State Department said. "We will continue to stop the flow of money into the pockets of those who oppress the Cuban people," Secretary of State Mike Pompeo tweeted. Critics of the sanctions say remittances are a lifeline to poor families in Cuba lacking basic necessities, *Reuters* reported. Under Republican President Donald Trump, the United States has reversed the thaw in relations with Cuba that began under his predecessor, Barack Obama, although some observers say Cuba never robustly opened up to the United States even then. Cuban Foreign Minister Bruno Rodríguez tweeted it was "shameful and criminal to intensify the blockade" during the Covid-19

FEATURED Q&A / Continued from page 1

different participants in the system. Therefore, this type of fraud can be enhanced. Institutions will have to compete in a more open market, in which competing business proposals can be easily compared. The big question is the speed of customers' adherence to open banking systems. In countries where open banking has already been implemented, membership has generally been lower than expected."

A **Ione Amorim, economist at the Brazilian Institute of Consumer Defense (IDEC):** "IDEC believes that the movement toward opening the financial market to new entrants is highly positive and should be considered fundamental to deconcentrating this market to the benefit of the consumer. However, the rules that will be implemented between November 2020 and October 2021 should better explain the rights and guarantees of the consumer, precisely determining the duties of the institutions when dealing with the consumer. For IDEC, it is worrying that the open banking rules come into force before the approval of the General Data Protection Law, which was postponed to May 2021. This mismatch is worrying because many of the fundamentals in the open banking rules must be guided by the data protection law. The complexity of the system, which involves technical issues, social issues and various institutions, for the benefit of consumers and to foster financial inclusion, would require a greater debate among these different actors to understand the effects and the importance of these new mechanisms. A broader debate on the proposed regulation contributes to reducing the asymmetry of existing information on a topic that will influence the Brazilian consumer. Although the open banking system aims to increase the well-being of Brazilian consumers among the objectives of its implementation, it does not present a focus on the rights of individuals directly affected by the change. It is also necessary to focus on

consumer data control, explaining principles of consumer protection and the protection of their personal data and ensuring that the inclusion proposed by open banking does not promote the increase in banking service costs."

A **Peter Baumgaertner and Paul Bond, partners at Holland & Knight:** "Brazil's central bank has issued a 'Regulation on Open Banking,' supplemented by a circular on guidance. This regulation encourages, and in some cases requires, the implementation of open banking, defined as 'a standardized sharing of data and services through the opening and integration of systems' pursuant to customer authorization. The central bank describes a phased implementation. This will eventually include consumer

“ **Brazil may ... shape the global debate over data portability as a workable model, or as a cautionary tale.**

— Peter Baumgaertner & Paul Bond

information relating to demand deposit or savings accounts, payment accounts or credit operations; registry and transactional information; loan proposals; and foreign exchange operations, investments, insurance and open pension funds, among other financial products. Financial institutions and fintech companies operating in Brazil and around the world will be watching closely to see how this process plays out, balancing consumer choice and competition against privacy and data security risks. For example, it is not yet clear how the larger banks will be compensated for the sharing of this information (as the regulation only provides a limited number of free accesses). Also, while Brazil's plan may considerably increase the volume and instances of consumer-au-

Continued on page 6

pandemic, which has hit the country's tourism sector hard. Cuba recently cited the economic fallout of the pandemic in asking the Paris Club of major bondholders for a delay in the repayment of its debt until 2022. The island nation had already missed more than \$30 million in payments last year, originally committing to settling those debts in May. [Editor's note: See related [Q&A](#) in the June 3 issue of the daily Latin America Advisor.]

POLITICAL NEWS

Venezuela's Supreme Court Seats New Elections Authority

Venezuela's Supreme Court, which is loyal to President Nicolás Maduro, on June 12 seated a new elections commission, a move that came ahead of this year's planned legislative election, the Associated Press reported. The opposition quickly denounced the high court's action. "If we don't recognize this farce of a Supreme Court, we don't recognize anything it produces," the opposition-controlled National Assembly's first vice president, Juan Pablo Guanipa, said in a tweet. "As Venezuelans, we make our demand to the world for a free vote!" The National Assembly is the only branch of Venezuela's government that Maduro does not control, and dozens of countries recognize the legislature's leader, Juan Guaidó, as Venezuela's legitimate interim president. If Guaidó loses that position, it is unclear whether they would continue to do so. After the opposition won control of the National Assembly in late 2015 and before Maduro's allies had to give up control of the legislature, they stacked the Supreme Court with his supporters. The high court went on to sideline the National Assembly by voiding its actions. In 2017, Maduro's government created a new, powerful legislature, the Constituent Assembly, made up entirely of his supporters. The Supreme Court's move to seat a new elections commission was disheartening to some of Maduro's moderate opponents who had been seeking to reach an

ADVISOR Q&A

Will the United States and Brazil Reach a Free-Trade Agreement?

Q **Nearly a year ago, U.S. President Donald Trump said he would pursue a free-trade agreement with Brazil, suggesting that a warm relationship with Brazilian President Jair Bolsonaro could lead to lower trade barriers between the Western Hemisphere's two largest economies. But Democrats in the U.S. House of Representatives this month signaled that they would block a trade deal, citing human rights concerns under the Bolsonaro administration. Are plans for a U.S.-Brazil free-trade agreement on track, and how strong is opposition to the effort in Brazil and the United States? What would an agreement mean for the two countries? What are the biggest sticking points that could prevent a deal?**

A **Gabrielle Trebat, managing director for Brazil and the Southern Cone at McLarty Associates:** "The U.S.-Brazil relationship is experiencing its most positive moment of the past decade with numerous commitments made between Presidents Trump and Bolsonaro to bring the two countries closer together diplomatically. Notwithstanding the political approximation, money is being left on the table economically in the absence of a comprehensive free-trade agreement, with total bilateral trade just over \$100 billion. For U.S. industry, an FTA has long been an objective, but political realities in both countries, including a complexity of viewpoints in the U.S. Congress and Brazil's commitments under Mercosur, mean that achieving an FTA with market access

agreement with the ruling party on minimal guarantees for a free and fair election, the AP reported. The previous week, the high court ruled that the National Assembly had failed to name members of the elections commission

commitments is neither feasible nor realistic at this time. As such, both presidents made the practical decision to focus on what is achievable with negotiations underway to address non-tariff barriers. The chapters under discussion—good regulatory practices, trade facilitation and digital trade—would improve the business environment for U.S. investors in Brazil while reaffirming Brazil's commitment to implementing OECD standards in these areas. Inclusion of a robust digital trade chapter is particularly important to many U.S. companies, especially with the following points: 1.) requiring intermediary liability safeguards to ensure that Internet services can host content and communications from users without automatically becoming liable for that content; 2.) guaranteeing the free flow and storage of data across borders and prohibiting the localization of data and computing facilities in all sectors; 3.) reaching a multilateral solution to tax challenges arising from the digitalization of the economy and prohibiting discriminatory digital taxation measures that contravene international taxation principles; and 4.) allowing for modern uses of data, such as fair use and text, and data mining rules to enable digital analysis and use of information for artificial intelligence, machine learning and related purposes."

EDITOR'S NOTE: More commentary on this topic appears in the June 15 issue of the Latin America Advisor.

on time, but legislators said the country's constitution reserves for the National Assembly the right to select elections commission members. The court added two members from outside Maduro's party to the elections

NEWS BRIEFS

Brazilian Treasury Secretary Announces Departure, Markets Roiled

Brazilian financial markets were turbulent June 15 following news that the country's treasury secretary, Mansueto Almeida, is to step down, Reuters reported. Almeida is seen as an advocate for fiscal discipline. Economy Minister Paulo Guedes told Reuters on June 15 that Bruno Funchal, currently the ministry's director of programs, will succeed Almeida by the end of July. On June 15, Brazil's real fell as much as 3 percent against the U.S. dollar.

Chilean President Replaces Health Minister

Chilean President Sebastián Piñera on June 13 replaced Health Minister Jaime Mañalich amid controversy over the country's figures for deaths from the coronavirus pandemic, Reuters reported. Piñera praised Mañalich, saying he had spared "no effort" in carrying out a "difficult and noble duty." Piñera named Enrique Paris, an academic and medical doctor, as Mañalich's successor. Chile's official number of deaths from Covid-19 is more than 3,300, but investigative website Ciper reported June 13 that the health ministry told the WHO that as many as 5,000 deaths in the country were linked to Covid-19.

Argentina Again Extends Deadline for Debt Talks

Argentina's government has again extended a deadline for international creditors to accept its debt restructuring offer, Bloomberg News reported June 12. The government pushed back the deadline by one week, to June 19, the economy ministry said in a statement. Argentina defaulted last month, but investors have said they are not likely to pursue legal action, the news service reported. Argentina and the creditors are seeking to renegotiate \$65 billion in international bonds.

commission in order to give it an appearance of balance, Luis Vicente León, president of Caracas-based polling firm Datanalisis, told the wire service. However, the court's action did not result from any political negotiation that involved opposition leaders' participation, he added.

Brazil Has World's Second-Highest Covid-19 Death Toll

Brazil on June 12 became the country with the second-highest death toll from Covid-19, surpassing Britain and behind only the United States, but the World Health Organization said the Latin American country's health system was withstanding the pressure, Reuters reported. As of June 16, Brazil has registered more than 888,000 confirmed cases of coronavirus, and 43,959 people are confirmed to have died from the disease in Brazil, according to a tally by Johns Hopkins University. "The system as such from the data we see is not overwhelmed," said Dr. Mike Ryan, the WHO's top emergencies expert, adding that few areas in Brazil are using more than 80 percent of their hospitals' intensive care bed capacity, The New York Times reported.

Leading Candidate in Dominican Republic Has Covid-19

Luis Abinader, who is leading the polls ahead of the Dominican Republic's July 5 presidential election, has been diagnosed with Covid-19, Reuters reported June 11. Abinader said his wife has also tested positive. "Be tranquil because with God's grace, we will recover quickly," Abinader, 52, said June 10 on social media. The presidential candidate added that his doctors expect a full recovery because he is not a high-risk patient. Abinader, of the social democratic Modern Revolutionary Party, said he and his wife are self-isolating at their home. Abinader's political opponents were among

those wishing him a speedy recovery. "We ask God for his quick recovery and good health," President Danilo Medina said in a posting on Twitter. Medina, of the Dominican Liberation Party, has served two consecutive terms and is ineligible for re-election. Gonzalo Castillo, the candidate of Medina's party, trailed Abinader by two percentage points in a recent poll by Mark Penn/Stagwell. In the poll, Abinader led with 39 percent. The Dominican Republic's presidential and legislative elections next month were postponed from May because of the coronavirus pandemic. If no candidate receives a majority of the votes on July 5, a runoff would be scheduled for July 26.

ECONOMIC NEWS

Peru's Economy Contracts by More Than 40% in April

Peru's economy contracted by more than 40 percent year-on-year in April, the government said June 15, Agence France-Presse reported. The Andean nation has been among the hardest hit by the coronavirus pandemic in Latin America, despite being one of the first to implement strict quarantine measures in March. Mining output in Peru, one of the world's largest producers of copper, gold and silver, shrank by more than 42 percent in April. Overall, economic activity dropped nearly 50 percent, according to the national statistics institute. The plunge in April "reflects the underperformance of most productive sectors, with an impact on trade, production, construction, mining, hydrocarbons, transportation, hotels and business services," the institute said. The economy had already contracted by more than 16 percent in March, after having previously recorded 127 months of consecutive growth. President Martín Vizcarra's government on June 15 announced a public investment plan dubbed "Arranca, Perú," or "Get Off the Ground, Peru," in a bid to create more than one million jobs in the second half of the year, state-run news agency Andina reported.

FEATURED Q&A / Continued from page 3

thorized sharing, it does not explain how the central bank will assign responsibility and liability in the event of a data security breach. While in many ways Brazil's new initiative mirrors the U.S. Consumer Financial Protection Bureau's 2017 Consumer Protection Principles: Consumer-Authorized Financial Data Sharing and Aggregation, those U.S. guidelines did not constitute new law. Brazil may therefore shape the global debate over data portability as a workable model, or as a cautionary tale."

A **Leandro Vilain, director of business policies and operations at the Brazilian Federation of Banks (Febraban):** "Febraban believes that open banking is a positive initiative that encourages innovation and will bring customers greater convenience and a better experience with financial services. It will also give customers greater autonomy in the use of their bank information, facilitating sharing with other institutions participating in the system and authorized to operate by Brazil's central bank. The Brazilian banking industry is engaged and active in this process and will make positive contributions to the entire program, maintaining the necessary security for its customers and long-term sustainability for the project."

A **Pedro Carvalho, associate director at Fitch Ratings:** "Brazil has a highly concentrated banking industry. Fintechs and other smaller entities usually struggle to reach a reasonable scale of client base, mainly due to lack of knowledge of their credit behavior. Open banking will allow clients to share account information (mainly historical lending data) with third-party entities. These entities are expected to offer a suitable

(and low-cost) service to the client (lending, investment products and other services). In parallel to open banking discussions and implementation, the Brazilian government has established a regulatory framework. This

“Both banks and fintechs will face the challenge of ensuring adequate treatment of clients' data.”

— Pedro Carvalho

includes Law 13.709, which protects client information, to be implemented in August. This encompasses the responsibilities and requirements of agents involved in clients' data sharing, which may reduce the risk of leaks of client information. Accordingly, both banks and fintechs will face the challenge of ensuring adequate treatment of clients' data. Larger banks won't need additional cybersecurity infrastructure investments to operate open banking APIs. However, it may be a concern for smaller participants given limitations of their resources vis-à-vis the data volume that they might deal with (which could also translate into an image risk) and also a vulnerability for hackers. Fitch understands that open banking and other initiatives from regulators (for example, instant payments) are paving the way for the banking industry's transformation. Larger players are reducing the number and size of branches, increasing the digital transformation and user experience."

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

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