

BOARD OF ADVISORS

Ernesto Armenteros

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

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

Desiree Green

Vice President,
International Government Affairs,
Prudential Financial

Laura Güemes Cambras

Transactions Attorney,
Holland & Knight

Earl Jarrett

Deputy Chairman & CEO,
The Jamaica National Group

Barbara Kotschwar

Executive Director, Visa Economic
Empowerment Institute

Thomas Morante

Attorney
Carlton Fields

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

Roberto Teixeira da Costa

Founder & Board Member Emeritus
CEBRI

Mario Trujillo

CEO,
DolEx Dollar Express

FEATURED Q&A

Will New Regulation Spur Fintech and Crypto in Chile?



Legislation to regulate financial technology and cryptocurrencies in Chile aims to boost competition and innovation, Finance Minister Mario Marcel told lawmakers. // File Photo: Jonas Leupe via Unsplash.com.

Q The lower house of Chile's Congress on Oct. 12 approved a measure to regulate financial technology and cryptocurrency-related activities, a move that followed similar action by the Senate. Finance Minister Mario Marcel told lawmakers that the measure aims to increase competition and also to stimulate innovation. How well will the new fintech law accomplish those goals? What are the most important parts of the new law? How has the Chilean central bank's raising of its benchmark interest rate, to 11.25 percent as of Oct. 12, affected fintechs in the country?

A James Bosworth, author of the Latin America Risk Report: "Chile's new fintech law provides a set of clear rules to a sector that has been largely unregulated or forced to operate under old regulations that are more applicable to legacy banks. In the sense that clear rules can help guide innovation, the sector is quite pleased to have a framework. Chile's traditional banking sector is also generally pleased, though it would prefer a slower transition period, both to monitor for potential weaknesses in the new framework and so it can adapt to the growing competition from the fintech sector. The most important aspects of the new law include a set of rules for data sharing between the old and new banking sectors as well as requirements for the Unidad de Análisis Financieros (UAF) to improve its security measures. The timing on this new law is important as Chile's slowing economy, rising inflation, increasing defaults on private loans and weakening peso all present potential challenges to the banking sector in the near term, problems that were far less important when the law began to work its way

Continued on page 3

TOP NEWS

BANKING

Mexico's Banorte Pulls Out of Bidding Race for Banamex

Mexico's Grupo Financiero Banorte said it will pull out of the bidding race for Citigroup's local retail unit, Banamex.

Page 2

FINANCIAL TECHNOLOGY

Brazil's Nubank to Launch Digital Currency in 2023

Brazilian digital banking start-up Nubank said it will launch its own cryptocurrency next year. The digital currency, to be called Nucoin, will aim to reduce transaction costs and processing time, Nubank said.

Page 3

INSURANCE

U.S. Insurer Confie Expands Facility in Tijuana

U.S.-based private insurer Confie, led by Chief Executive Officer Cesar Soriano, announced that it is expanding its outsourcing center in the Mexican border city of Tijuana.

Page 2



Soriano // File Photo: Confie.

BANKING NEWS

Mexico's Banorte Pulls Out of Bidding Race for Banamex

Mexico's Grupo Financiero Banorte said on Oct. 21 that it will pull out of the bidding race to acquire Banamex, Citigroup's local retail unit, Reuters reported. Banorte declined to explain its withdrawal, but the decision follows similar withdrawals by Mexican tycoon Ricardo Salinas Pliego and Spanish bank Santander earlier this year. Mexican President Andres Manuel López Obrador said at a news conference on Friday that he wanted Banamex to go to a Mexican buyer, adding that the remaining bidders in the race were "very good," Bloomberg News reported. Mexican bank Inbursa, owned by Carlos Slim; Grupo Mexico, controlled by German Larrea; as well as Daniel Becker, the president of private lender Banca Mifel, have expressed interest and are preparing their bids, Reuters reported, though they all declined to comment. Banamex could sell for \$7 billion to \$12 billion, and Ernesto Torres Cantu, Citigroup's Latin America chief previously said he expected a deal to be reached by January 2023. The bank is also considering a sale through an initial public offering. A senior market analyst told Reuters that "Citi could do an IPO for a percentage of Citibanamex and redistribute the remaining stake to Citigroup's shareholders."

Argentina, Mexico Help Fuel Profits of Spain's Santander

Spain's Banco Santander on Oct. 26 reported an 11-percent increase year-on-year in net profit for the third quarter, driven in part by strong performance in the banks units in Argentina and Mexico, Agence France-Presse reported. Santander posted a net profit of 2.42 billion euros (\$2.41 billion) for the quarter, beating the average estimates of analysts, who had expected profit of 2.15 billion euros for the quarter.

For the year through September, Santander's profits rose 25 percent as compared to the same period last year, to 7.32 billion euros. The bank's executive chair, Ana Botín, said Santander delivered a "strong quarter with revenues increasing and profitability remaining above target ... supported by our rock-solid balance sheet," AFP reported. However, Botín added that the bank expects the "macroeconomic environment to remain challenging as markets across Europe and North America adapt to levels of inflation not experienced in decades." Despite a soaring rate of inflation in Argentina, which analysts estimate could surpass 100 percent this year, the country's banks have "fared relatively well this year," Marcelo De Gruttola, vice president and senior analyst at Moody's Investors Service, told the Financial Services Advisor in a Q&A published June 15. Argentine banks' fundamentals "will remain broadly stable," De Gruttola said, but he added that "currently unstable macroeconomic conditions continue to pose downside risks." In addition to a strong performance in Argentina and Mexico, Santander said its unit in Poland also helped to drive profits. The bank has approximately 159 million customers worldwide, and its profit grew despite headwinds in its home market. Earlier in October, the Spanish government said it would impose temporary taxes on banks and energy companies in order to cover the costs of state programs to help Spaniards cope with high inflation, AFP reported. The new taxes on banks are likely to generate some 1.5 billion euros annually and will remain in place for two years, Spanish Prime Minister Pedro Sánchez told the country's parliament, the wire service reported.

INSURANCE NEWS

U.S. Insurer Confie Expands Outsourcing Division in Tijuana

U.S.-based private insurance company Confie announced Oct. 25 that it is expanding its business process outsourcing division in the

NEWS BRIEFS

Mexico Sees 14% Rise in Remittances For September

Mexico received \$5.03 billion in remittances in September, an increase of 14 percent as compared to the same month last year, the country's central bank said Nov. 1, EFE reported. For the year through September, the country received \$42.96 billion in remittances, a 15 percent increase as compared to the first nine months of last year, the central bank said. The increase in September of this year marked the fifth consecutive month that Mexico's level of remittances exceeded \$5 billion, Alberto Ramos, the managing director and head of Latin America economic research at Goldman Sachs, said in a note.

Mexican 'Buy Now, Pay Later' App Nelo Gets \$100 Million Credit Line

Mexican "buy now, pay later" application Nelo received a \$100 million credit line from Victory Park Capital, a U.S.-based private equity firm, Reuters reported on Oct. 19. The funding provides Nelo capital to grow its business in an increasingly competitive market, with other firms such as Kueski and Aplazo providing similar services. The app allows interest-free installments over time, and its popularity ballooned during Covid-19 lockdowns.

Femsa Eyes Business-to-Business Service Through Fintech Unit

Mexico-based bottler Femsa is seeking to develop a business-to-business service through its financial technology unit, company executives said Oct. 31, Reuters reported. The company "will have news on that very soon," Femsa's chief corporate officer, Francisco Camacho told analysts. Camacho did not say whether the service would operate under the same name as its fintech service, Spin.

Mexican border city of Tijuana. The company is launching a new service center in the city, which will be Confie's second such facility in Mexico. The service center "will help accommodate the company's rapid growth in customer call center and outsourcing services, as well as facilitate expected future development," the company said in a statement. Confie, which is headquartered in Huntington Beach, Calif., opened Seguros Confie, its shared services center and business process outsourcing division in 2010. "Our team of skilled professionals and bilingual agents work across multiple channels to communicate with customers to deliver positive, measurable results for businesses," Confie's chief executive officer, Cesar Soriano, said in a statement. "This expansion marks significant growth for our [business process outsourcing] division and an even greater opportunity for businesses to leverage our transformative business outsourcing tools to increase customers and revenues," Soriano added. Seguros Confie currently employs more than 1,200 people, and the expansion will add an additional 200, the insurer said in a statement.

FINANCIAL TECHNOLOGY NEWS

Brazil's Nubank to Launch Digital Currency Next Year

Brazilian digital banking start-up Nubank announced Oct. 19 that it will launch its own cryptocurrency, Nucoin, next year, CNBC reported. The new cryptocurrency represents "another step ahead in our belief in the transformative potential of blockchain technology and to democratize it even more, going beyond the purchase, sale and maintenance of cryptocurrencies in the Nu app," Fernando Czapski, general manager for Nucoin at Nubank, said in a statement. Built on the Polygon network, the new digital currency will aim to reduce transaction costs and processing time, and its value will fluctuate based on supply and demand, similar to Bitcoin, Nubank said. Earlier in

FEATURED Q&A / Continued from page 1

through the legislature. It's possible that this law will be quickly put to the test if financial firms, both new and old, begin to face fiscal challenges that threaten their economic survival."

A Bruno Diniz, co-founder and managing partner of Spiralem: "Chile's recent approval of its fintech law, which also includes a path for the creation of an open finance framework, is a major step for the local financial services consumers and the financial sector as a whole. Prior to that, there wasn't much clarity on how some business models within the fintech sector (such as equity crowdfunding, crypto and robo advisory) should be addressed. A well-defined regulation in this sense can boost the creation of

“Given the importance of the Chilean economy in the Latin American context, a law like this one was an urgent matter...”

— Bruno Diniz

new entrants in the market, elevate the perception of potential customers around these new service providers, attract more investors and accelerate financial innovation. As an outcome, it translates into more alternatives for the customer and increased competition, which can lead to better services at lower rates—driving the inclusion of underserved groups in society. Given the importance of the Chilean economy in the Latin American context, a law like this one was an urgent matter, and delaying its implementation could come at the cost of falling behind other countries that addressed these topics before, such as Brazil and Mexico. The Chilean approach is more similar to the Mexican one, as the North American country also passed a general fintech law back in 2018.

Brazil, instead, has been regulating different verticals throughout the years, addressing subjects such as payments, equity crowdfunding, credit and open finance in separate laws."

A Hugo Benedetti, director of the economics and finance department of the ESE Business School at the University of the

Andes in Chile: "The core of the new law relates to lowering the uncertainty of certain financial activities in the Chilean financial ecosystem. First, it creates a framework for open finance, explicitly recognizing individuals as owners of their financial data, requiring financial institutions to set up the necessary mechanisms for secure data management, transfer and storage, and creating a dedicated area within the regulatory body to deliver detailed norms and ensure compliance. Second, it regulates specific activities and instruments that were previously in a normative limbo, such as financial advisory, crowdfunding platforms, alternative trading systems, payment initiators, cryptocurrencies, stablecoins and cryptoassets. Third, the law is based on proportionate and risk-based regulation, requiring additional safeguards to higher-risk and higher-impact activities; modular, incorporating additional regulations for more complex activities; technologically neutral, allowing for different technological approaches; and sufficiently flexible, providing the regulator with tools to progressively adapt requirements as the financial ecosystem develops. We have also observed a worldwide increase in interest rates. Chile is not an outlier in this trend, but what set us apart is the speed of such increases, coupled with an increase in the inflation rate. The effect of these changes on the financial sector has been mixed. On the one hand, banks and traditional financial institutions have been able to capture a larger spread, but as the new rate is higher, lending, in general, has decreased. Some lending and payment service fintechs have been able

Continued on page 6

October, Mastercard launched a new tool called Crypto Secure, while Paypal and Robinhood offer trade in cryptocurrencies. Last year, the Financial Times reported high levels of crypto adoption in developing countries. In Argentina, the push for crypto came after decades of distrust in the banking system, high inflation and rigid currency conversion limits imposed by banks. In Brazil, the cost and bureaucracy of legacy financial systems are pushing the trend, the newspaper reported. However, cryptocurrencies are currently facing a downturn that is eating away at their value. [Editor's note: See related Q&A in the Aug. 25-Sept. 7 issue of the Financial Services Advisor.]

POLITICAL NEWS

Bolsonaro Silent a Day After Loss in Brazil Election

Brazilian President Jair Bolsonaro, who made no public statements on the evening of Oct. 30 after losing his re-election bid to former President Luiz Inácio Lula da Silva, maintained his silence the following day, raising concerns about whether he would accept the election results. Bolsonaro has made no public state-



Bolsonaro // File Photo: Facebook Page of Jair Bolsonaro

ments since the vote so that he could prepare a speech that he is expected to deliver on Nov. 1, Communications Minister Fabio Faria told Reuters. However, it was unclear when exactly he would speak or whether he would concede defeat to Lula, as some of his allies were encouraging him to do, the wire service reported. Also on Oct. 31, truck drivers who support

ADVISOR Q&A

What Does Lula's Political Comeback Mean for Brazil?

Q **Luiz Inácio Lula da Silva defeated incumbent President Jair Bolsonaro in Sunday's runoff election to return to Brazil's presidency, which Lula previously held from 2003 to 2010. The victory, by a margin of fewer than two percentage points, capped a stunning political comeback for Lula, who was imprisoned for 580 days in 2018 and 2019 after being convicted of corruption and money laundering. To what can Lula attribute his victory, and what will be the most significant changes he will make as president? How likely are Bolsonaro—and his supporters—to accept defeat? How well will Lula be able to work with Brazil's Congress, where Bolsonaro's supporters increased their representation in this year's legislative vote? In what ways will Bolsonaro continue to influence Brazilian politics?**

A **Melvyn Levitsky, professor of international policy and practice at the University of Michigan's Gerald R. Ford School of Public Policy and former U.S. ambassador to Brazil:** "Lula has attained almost mythical status among the lower-middle and lower classes in Brazil. His rise from poverty to trade union leader to president of Brazil in addition to popular programs to keep kids in

school and assist working families seem to have canceled out the charges and acts of corruption by Workers' Party (PT) officials. Lula will have to overcome the lack of a majority in the Brazilian Congress. He will

“ He will certainly have difficulty moving legislation through Congress.”

— Melvyn Levitsky

certainly have difficulty moving legislation through Congress. Bolsonaro's response may well be to stimulate his supporters to oppose anything Lula proposes, looking toward the next presidential election in which he will certainly be a candidate. A major question: will he go the next step and encourage violence in the wake of his defeat? At a minimum, gridlock would seem to be on the horizon."

EDITOR'S NOTE: More commentary on this topic appears in the Nov. 1 issue of the Latin America Advisor.

Bolsonaro blocked roads across the country in protest of the results. Video images showed truckers, who have benefited from Bolsonaro's policies such as lowering the cost of diesel, calling for a military coup to prevent Lula from taking office, Reuters reported. Protests broke out in states around the country, including Mato Grosso, Santa Catarina, Paraná, São Paulo, Minas Gerais, Goiás and Bahia. In Brasília, police shut down access to the government esplanade after receiving a tip that the pres-

ident's supporters were planning to occupy a square in front of the country's Supreme Court, which some Bolsonaro supporters accuse of favoring Lula. In all, 321 protests partially or completely blocked roads in 26 states across the country, Reuters reported, citing Brazil's federal highway police. Alexandre de Moraes, the president of Brazil's Superior Electoral Court, late on Oct. 31 ordered highway police to "take all necessary measures" to clear the roadblocks and threatened to imprison the

NEWS BRIEFS

Costa Rican Vice President Charged in Campaign Finance Case

Costa Rican Vice President Stephan Brunner on Oct. 31 said he was charged in connection with his alleged involvement in illegal financing of President Rodrigo Chaves' electoral campaign, Reuters reported. Chaves, who took office in May, and Brunner both deny wrongdoing and have immunity protections while in office. However, those protections could be withdrawn if requested by the Supreme Court and approved by lawmakers. An opposition-backed special commission in the country's Legislative Assembly is investigating the case.

Colombia Revises Down Tax Take Estimate From Proposed Reform

Colombia's government has revised downward its estimate for how much additional revenue its proposed tax reform will generate, Reuters reported Oct. 25. The government said that modifications to the original legislation mean the measure would bring in an additional 20 trillion pesos (\$4.03 billion), down from the earlier estimate of 21.5 trillion pesos. The reduction was due to the removal of a proposed tax on monthly pensions in excess of 10 million pesos. The reform originally sought to raise an additional 25 trillion pesos annually.

E.U. Hoping to Sign Energy Deal With Argentina: Borrell

The European Union is hoping to soon sign an energy agreement with Argentina, Reuters reported on Oct. 27. The bloc is struggling to meet its energy demands amid the war in Ukraine and Russia cutting off its supplies. Josep Borrell, the European Union's foreign policy chief, told journalists during a visit to the South American country that Argentina is a "budding energy power."

chief of the police force if officers did not comply, the Financial Times reported. Brazil's financial markets experienced cautious trading on Oct. 31, with the benchmark Bovespa stock index closing up 1.3 percent and the Brazilian real strengthening against the U.S. dollar, the newspaper reported.

Foreign Help for Haiti 'a Work in Progress': U.S. Sec'y of State

The United States and Canada will work together in an effort to improve security in Haiti, where gang activity has led to a humanitarian crisis, U.S. Secretary of State Antony Blinken said Oct. 27 in Ottawa alongside Canadian Foreign Minister Mélanie Joly, the Associated Press reported. However, neither Blinken nor Joly committed to sending troops to Haiti.

"This is a work in progress, and we are continuing to pursue it," Blinken told reporters in the Canadian capital, the AP reported. Blinken added that the United States and Canada agree that "more likely needs to be done" to support Haiti's National Police and strengthen security in the Caribbean nation. "We've been talking about what that might look like," said Blinken. "We have both been talking to a variety of countries to gauge their interest in and willingness to participate in that," he added. Joly said Canada has sent an "assessment mission" to Haiti in order to gather information and find solutions that have the support of Haitians. The delegation will "consult with stakeholders on options to support Haitian people in resolving the humanitarian and security crises and how Canada can contribute to the international response," the Canadian government said Oct. 27 in a statement, Reuters reported. Haiti's government has been mired in chaos since the July 2021 assassination of then-President Jovenel Moïse. Since September, gangs have blocked a key fuel terminal, which has led to shortages of fuel and basic goods, clean water and medical services, all as the country is facing a cholera outbreak, the AP reported. The United States and Canada have sent tanks to Haiti, and the United Nations is considering

whether to send troops to restore order. In October, Haiti's government called for a foreign armed intervention to stabilize the country. Intervention by foreign troops "would be to buttress the National Police and buy time to beef up security around the country," Bocchit Edmond, Haiti's ambassador to the United States, told the Dialogue's daily Latin America Advisor in a [Q&A](#) published Oct. 25. "Also, it would help to restore security to enable the government to organize democratic, free and fair elections within a reasonable time," Edmond added.

ECONOMIC NEWS

Brazil's Central Bank Leaves Key Rate Unchanged at 13.75%

Brazil's central bank on Oct. 26 left its benchmark Selic interest rate unchanged for the second meeting in a row, Reuters reported. Policymakers again maintained the key rate at 13.75 percent, a six-year high, following 12 consecutive rate increases that raised it from a record low of 2 percent in March 2021. The central bank said it will maintain the elevated interest rate for a "sufficiently long period," until inflation returns to "around its targets," Bloomberg News reported. "The Brazilian economy performed surprisingly well in the first half of this year. GDP expanded at an annualized pace of 4.5 percent in the first quarter compared to the previous one," Michael Heydt, senior vice president for global sovereign ratings, told the Dialogue's daily Latin America Advisor in a [Q&A](#) published on Sept. 15. However, Heydt said he expects the South American country's economy to "run out of steam" as a result of moderated "external demand, the erosion of consumers' purchasing power due to high inflation and the full impact of tight monetary policy." Brazil's central bank expects inflation rates to stay at 5.8 percent this year and fall to 4.8 percent in 2023, up from a forecast last month of 4.6 percent, Reuters reported. Central bank policymakers' target rate for next year is 3.25 percent, the wire service reported.

FEATURED Q&A / Continued from page 3

to gain market share by using technology to provide faster, cheaper or more flexible investment and funding options to customers. On the other hand, as funding becomes more scarce and costly, some fintechs have had a tougher time at securing a runway for growth, which is also a global phenomenon. In sum, the new law is a great leap forward for the financial ecosystem at a time when the economic outlook is weaker than usual. This weaker economy is no doubt a challenge for fintechs in general, but some of these fintechs were built to solve these specific problems, so we should see a few of them doing very well."

A **Mijail Popov, analyst specialist in crypto assets at Americas Market Intelligence:** "The new fintech law will give companies and the major players in the industry a framework of greater legal certainty while providing their services. At the same time, this new legal framework will provide users with greater protection of their rights in terms of security and trust when accessing fintech services, including services with cryptocurrencies. This is certainly good news for the market as it means that the

supply and demand for the different products will be governed by clear rules that apply to all participants in the financial system, both traditional and nontraditional. Some of the highlights of this new law include the development of an open banking system and the acceptance of stable cryptocurrencies

“ This is certainly good news for the market...”

— Mijail Popov

(also known as 'stablecoins') as a means of payment. However, it is worth mentioning that this year may have been a turning point for fintech companies, and new responses are expected from this sector in 2023, in light of the fact that the Chilean central bank's repeated interest rate increases have made it difficult for these companies, particularly the youngest fintechs, to access financing in recent months."

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 ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Lara Kovandova
Reporter
lkovandova@thedialogue.org



Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Courtney Guthreau, Director of Development
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Director, Migration, Remittances & Development
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Michael Shifter, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program
Lisa Viscidi, Nonresident Senior Fellow

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

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.

Advisor Video

Haiti's Frustration With International Aid

An Inter-American Dialogue Discussion with
Jacky Lumarque, Université Quisqueya
Michèle Oriol, Université d'État d'Haïti
Joël Boutroue, UNHCR Representative in Uganda
Kesner Pharel, Groupe Croissance
Michèle Duvivier Pierre-Louis, Fondation Connaissance et Liberté

View the Oct. 25 webcast of the discussion

PLAY

