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FEATURED Q&A

How Is AI Being Used to Fight Financial Fraud?



Banco Bradesco is working with Fair Isaac Co. to use artificial intelligence to fight financial fraud. // File Photo: Smile Studio AP via Adobe Stock.

Q Brazil's Banco Bradesco and data analytics company Fair Isaac Co. (FICO) are working together to enhance Bradesco's fraud prevention systems through the use of FICO Platform, which integrates artificial intelligence (AI) to fight financial fraud. To what extent are financial services companies in Latin America and the Caribbean using AI to fight financial fraud? What are the best ways that AI can be used to fight financial fraud in the region in the years ahead? What risks and unintended consequences must financial services companies take into account when expanding the use of AI?

A **Nicolle Lafosse, of counsel at Diaz Reus:** "In recent years, Latin American financial institutions have made significant strides in integrating artificial intelligence to combat the rising threat of financial fraud. Leading the charge in Brazil, Bradesco and Itaú Unibanco have implemented AI-driven fraud detection systems that help identify suspicious activities in real time. Their efforts are part of a larger regional trend, as banks across Latin America and the Caribbean increasingly turn to AI to navigate the growing complexity of fraud schemes and the accelerating shift toward digital banking. In Mexico, BBVA México has adopted similar AI-powered solutions, as has Republic Bank in the Caribbean. These institutions are leveraging AI not only for real-time transaction monitoring, but also to proactively identify and prevent fraudulent activities. With the power of AI, banks can detect and respond to threats faster and more accurately, utilizing adaptive learning to improve detection over time and scaling their efforts to handle an ever-increasing volume of transactions. As cybercrime becomes more

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TOP NEWS

BANKING

Brazil's Lower House Votes to Scrap Tax Hike

Amid budget negotiations, the lower house of Brazil's Congress on June 16 voted to overturn a recent order from President Luiz Inácio Lula da Silva that increased taxes on financial services transactions.

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REMITTANCES

El Salvador's Remittances in Crypto Fall 44.5%

Remittances that El Salvador received in cryptocurrency declined 44.5 percent this year through April as compared to the same period last year.

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FINANCIAL TECHNOLOGY

Uruguay's DLocal Agrees to Buy AZA Finance

Uruguay's DLocal announced that it is buying AZA Finance. DLocal's chief operating officer, Carlos Menendez, said the acquisition will help DLocal to offer "innovative, efficient and localized payment solutions" in Africa.

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Menendez // File Photo: LinkedIn Profile of Carlos Menendez.

BANKING NEWS

Brazil's Lower House Votes to Scrap Tax Hike

Amid budget negotiations, lawmakers in the lower house of Brazil's Congress on June 16 voted 346-97 in an emergency vote to overturn a recent order from President Luiz Inácio Lula da Silva that increased taxes on financial services transactions, Bloomberg News reported. The decree will remain in effect unless the Senate also votes to strike it down. Brazilian lower house speaker Hugo Motta told journalists that he hopes Lula's government will present a revised budget proposal that instead generates net revenue for the federal government through spending cuts, the news service reported. The presidential decree that increased IOF financial transactions tax sparked criticism in May, including from members of Congress, Reuters reported. Brazil's finance ministry in May revoked a measure to increase the IOF tax on remittances from individuals, leaving it at 1.1 percent instead of 3.3 percent, which it had announced, Bloomberg News reported. "We have no problem in correcting the course, as long as the direction set by the government is maintained," Finance Minister Fernando Haddad said at a press conference in São Paulo on May 23, Bloomberg News reported. The finance ministry also announced in May that, following "dialogue and technical evaluation" that a tax on transfers to offshore funds would return to zero, as opposed to a 3.5 percent tax rate that the government had announced earlier, Bloomberg News reported. On June 10, the leaders of some of Brazil's largest banks expressed concerns about proposed tax increases in order to meet the country's federal fiscal target, Reuters reported. During an event hosted in São Paulo by the Febraban banking association, bank CEOs said the government should instead review public spending, the wire service reported. "Isn't it time to seek greater efficiency in Brazil's public budget spending?" Roberto Sallouti, the chief executive officer of investment bank BTG Pactual, said at the

event, Reuters reported. At the same event, Marcelo Noronha, the CEO of Banco Bradesco, said the government should implement cuts in spending, not revenue increases.

FINANCIAL TECHNOLOGY NEWS

Uruguay's DLocal Agrees to Buy AZA Finance

Uruguay-based financial technology company DLocal announced June 3 that it has agreed to buy Africa-focused payments provider AZA Finance. AZA Finance, which was founded in 2013 in Nairobi, will provide DLocal "with increased scale in Africa, increasing cross-border volumes and footprint across the continent," DLocal said in a statement. The Uruguayan fintech added that the acquisition will strengthen the company, including enhanced treasury operations that enable over-the-counter foreign-exchange capabilities, extended stablecoin coverage and improved payout efficiency. "Our acquisition of AZA Finance will increase access for our global merchants to Africa's dynamic, growing markets, while further strengthening our commitment to the region," Carlos Menendez, DLocal's chief operating officer, said in a statement. He added that the acquisition will help it "to offer innovative, efficient and localized payment solutions" in Africa.

REMITTANCES NEWS

El Salvador's Crypto Remittances Fall 44.5% Through April

Remittances that El Salvador received via cryptocurrency deposited to digital wallets declined 44.5 percent year-on-year for this year through April, the country's central bank said June 11, EFE reported. The Central American

NEWS BRIEFS

U.S. Justice Department to Restart Enforcement of Anti-Bribery Law

The U.S. Department of Justice will restart enforcement of the Foreign Corrupt Practices Act, a 1977 law that prohibits companies operating in the United States from bribing foreign officials, Reuters reported June 10, citing a memo from a top official. The memo, by Deputy Attorney General Todd Blanche, said the Justice Department will focus enforcement of the act on alleged misconduct that harms U.S. firms' ability to compete with rivals based abroad, involves critical infrastructure or is connected to operations of drug cartels or other international crime organizations, Reuters reported. The White House in February announced that it was putting on hold any new investigations of the law, pending a review.

Brazil's Matera Partnering With Circle to Support Multi-Country Operations

Brazil-based fintech Matera has struck a deal with Circle Internet Group that will allow banks in the South American country to support operations involving multiple currencies, Bloomberg News reported June 11. The partnership will involve Digital Twin, Matera's real-time ledger. The agreement between Matera and Circle will let Brazilian reais, U.S. dollars and USDC stablecoin coexist in a single platform.

Grupo Financiero Galicia Reports \$154 Million in Profit for First Quarter

Buenos Aires-based Grupo Financiero Galicia on June 11 reported net profit of \$154.1 million for the first quarter, the Associated Press reported. The bank reported earnings of 96 cents per share. The results beat analysts' expectations, the wire service reported. The bank reported \$2.18 billion in revenue.

nation received \$16 million in cryptocurrency remittances in the first four months of this year, a decline of \$12.83 million from the \$28.83 million that it received for the same period last year, according to the central bank. This year, the country received \$2.44 million in cryptocurrency remittances in January, \$2.25 million in February, \$6.92 million in March and \$4.39 million in April, the central bank said,

Cryptocurrency accounted for 0.52 percent of the total of \$3.08 billion in remittances sent to El Salvador between January and April of this year.

EFE reported. Last year, the monthly totals exceeded \$6 million and peaked at \$8 million in March 2024. Cryptocurrency sent to digital wallets accounted for just 0.52 percent of the total of \$3.08 billion in remittances sent to El Salvador between January and April of this year. That percentage was lower than the first four months of last year, when it amounted to 1.08 percent of the total remittances of \$2.67 billion, according to the central bank. For all of last year, remittances sent to El Salvador via cryptocurrency amounted to \$85.5 million, an increase of 3.1 percent as compared to the \$82.93 million as compared to 2023, EFE reported, citing the central bank. In 2021, El Salvador became the first country in the world to classify Bitcoin as a legal tender, alongside the U.S. dollar. However, earlier this year, El Salvador's Legislative Assembly stripped the legal tender status from Bitcoin after reaching an agreement on a \$1.4 billion loan agreement with the International Monetary Fund. "Going forward, program commitments will confine government engagement in Bitcoin-related economic activities, as well as government transactions in and purchases of Bitcoin," Nigel Clarke, the IMF's deputy managing director and acting chair, said in a statement announcing the approval of the Extended Fund Facility loan program with El Salvador. "Regulation and supervision of digital assets will be enhanced in

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complex, adopting AI in financial services is critical to ensuring security, protecting customer trust and staying compliant with global regulations. However, as with any new technology, there are risks. Financial institutions must prioritize transparency, data privacy and compliance while also ensuring that human oversight remains part of the decision-making process. This will help balance the benefits of AI with the need for ethical and secure practices."

A Victor Munoz and Angel Melguizo, partners at ARGIA Green, Tech & Economics: "As financial inclusion and digitalization continue to expand across Latin America and the Caribbean, the region is also witnessing a sharp rise in cybercrime, particularly financial fraud. Artificial intelligence has become a strategic asset to combat this threat, offering real-time detection capabilities through advanced pattern recognition, machine learning and synthetic data modeling. The effectiveness of AI goes beyond technology. Its impact is maximized when integrated into a comprehensive framework of governance, rapid response and user accountability. Financial institutions must combine AI-based anomaly detection with robust protocols for investigation, fair compensation for affected individuals and ongoing education for both employees and clients. Building trust in these systems is as critical as the technical performance. A 'security by design' approach is essential to ensure data integrity during model training, protecting against adversarial attacks and preserving human oversight to avoid bias and improve explainability. However, deploying AI at scale brings new vulnerabilities: data misuse, algorithmic bias, social engineering through deepfakes and complacency driven by overreliance on automation. To address these challenges, companies must establish strong internal governance, adopt transparent auditing processes and collaborate with regulators to ensure ethical and effective deployment.

AI is not a silver bullet, but with the right safeguards, it can significantly strengthen the financial system's resilience. The future of fraud prevention in the region depends not just on innovation, but on responsibility, clarity, and trust."

A Francisco De Hoyos Parra, CEO of Optimiza Mexico: "AI offers powerful tools to combat financial fraud in the region by minimizing human-mediated risks—such as loan officers or customer service agents misleading customers about repayments—and enhancing detection through advanced data analysis. It can cross-verify identities and transactions in real time by integrating diverse sources (for example, social platforms, news, police reports and financial histories), spotting subtle inconsistencies that manual reviews miss. However, financial institutions must proactively address critical risks: AI's effectiveness hinges on data accuracy; incomplete or erroneous inputs will fail to prevent fraud. Further, biased datasets could exclude vulnerable groups (such as by denying services to legitimate customers) or misprofiling individuals, raising ethical and regulatory concerns. Overreliance on automation might also erode human oversight, allowing novel fraud tactics to emerge undetected."

A Chelsea Binns, associate professor at the John Jay College of Criminal Justice: "The use of AI by financial services companies is growing quickly. It's being used to improve transaction monitoring and is becoming increasingly useful in fighting credit card fraud. Some banks have already developed their own in-house systems, and more are likely to follow. The ability to detect fraud in real time can definitely help stop major crimes as they're happening. Plus, AI's ability to pick up on suspicious or 'fraudster' language offers new advantages that can strengthen existing processes. That said,

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line with evolving international best practices," Clarke added.

POLITICAL NEWS

Gunmen Kill Mexican Mayor in Attack at Village Hall

Gunmen on June 15 burst into the village hall of the municipality of San Mateo Piñas in southwestern Mexico and fatally shot Mayor Lilia Gema García Soto, BBC News reported. In the attack, four armed men arrived at the village hall on motorcycles before entering the building and opening fire on the mayor and a local official who was meeting with her. Two police officers were also injured in the shooting, BBC News reported. The governor of Oaxaca, Salomón Jara Cruz, condemned the attack. "There can be no impunity for this incident. We will collaborate with the state attorney general's office to clarify the facts and deliver justice. My condolences to her family," the governor said, Euronews reported. The mayor's son, Óscar Velázquez, said June 16 that his mother had worked to fight corruption. "What was committed was silencing someone who denounced corruption, fraud, and embezzlement, and as is customary in this country, these people are silenced," said Velázquez, El Universal reported. "What we feel, besides a lot of sadness, is a lot of anger, a lot of frustration, and a desire for justice," he added. García Soto's family added that the mayor had received death threats, but they said authorities did nothing to protect her, El Universal reported.

Trump Orders More Deportations From Major Cities

U.S. President Donald Trump on June 15 called on federal immigration authorities to prioritize deportations from major cities governed by Democrats, a move that followed

ADVISOR Q&A

What Forces Are Driving Capital Toward Start-ups in Latin America?

Q Capital raised for Latin American start-ups grew by 26 percent in 2024 from 2023, and growth is expected to continue this year, according to a report by nonprofit Endeavor and private equity firm Glisco Partners. The industry still faces challenges, particularly in securing local financing for start-ups in later-stage investments and navigating global volatility, the report found. What key factors drove the 26 percent increase in capital spending for Latin American start-ups last year? Why do start-ups face challenges in local investment during later stages of business development? What types of start-ups in the region are attracting the most capital, and why?

A Matías Vernengo, director of the Bucknell Institute for Public Policy (BIPP) and professor of economics at Bucknell University: "The main reason for the increase in the capital raised by start-ups is that, in spite of many problems and heterogeneity in the experiences of the many countries of the region, growth has been more or less robust. The growing economy generates the

possibilities that start-ups can capitalize upon, and that their funders see as potentially profitable. The rapid growth is also the result of the region's relatively small size, particularly when compared to advanced economies, which leaves ample space for expansion. Brazil had no unicorn firms until 2018, and now there are about 24. Most of these are in the fintech and electronic retail sectors—that is, services. The boom in this area has gone hand-in-hand with deindustrialization, an increase in commodity exports as the engine of growth of the economy, and the increasing size of services, in general, as the largest sector with the largest labor force in the economy. One can interpret this as a positive outcome, in which new opportunities for work are being created, and the entrepreneurial potential is being put to work. But one can also see some of the limitations of this strategy of development, if one can call it that, compared to the manufacturing exporters in Asia."

EDITOR'S NOTE: More commentary on this topic appears in the June 12 issue of the daily Latin America Advisor.

protests against his immigration policies in Los Angeles and other cities, the Associated Press reported. U.S. Immigration and Customs Enforcement (ICE) must "do all in their power to achieve the very important goal of delivering the single largest Mass Deportation Program in History," Trump said in a post on his Truth Social platform. He called on authorities to "expand efforts to detain and deport Illegal Aliens in America's largest Cities, such as Los Angeles, Chicago, and New York, where Millions upon Millions of Illegal Aliens reside." Trump's order came after Stephen Miller, the White

House deputy chief of staff, said ICE officers would seek to arrest at least 3,000 people per day, more than four times as many as the 650 a day over the first months of Trump's term, the AP reported. At the same time, the Trump administration is considering an expansion of its restrictions on travel to the United States by the citizens of an additional 36 countries, including ones in the Caribbean, The Washington Post reported June 14, citing a State Department memo. The countries mentioned include Antigua and Barbuda, Dominica, Saint Kitts and Nevis, and Saint Lucia, as well as 25

NEWS BRIEFS

Trump Leaves G7 Summit a Day Early Amid Iran, Israel Conflict

U.S. President Donald Trump left the G7 summit in the Canadian province of Alberta a day early on June 16 in order to attend to the conflict between Iran and Israel, the White House announced, The Washington Post reported. On June 16, Trump met on the sidelines of the summit with Canadian Prime Minister Mark Carney, and the two leaders committed to signing a trade deal within 30 days, the National Post reported. Trump left the summit before meetings that had been scheduled for June 17 with Mexican President Claudia Sheinbaum and Ukrainian President Volodymyr Zelensky, The Washington Post reported.

At Least One Person Killed as Earthquake Hits Peru

A 5.6-magnitude earthquake struck off the coast of central Peru midday on June 15, killing at least one person and injuring several others, the Associated Press reported. A 36-year-old man was killed in northern Lima by falling debris from a building under construction, the AP reported. The epicenter of the earthquake was 14 miles southwest of Callao, according to the U.S. Geological Survey.

Nicaragua's Violeta Chamorro Dies at 95

Former Nicaraguan President Violeta Chamorro, the Americas' first elected female head of state, and whose term coincided with the end of Nicaragua's civil war, died on June 14, the Associated Press reported. Chamorro was known for shepherding the peace process between the Sandinista and Contra rebel groups, ending a decades-long conflict, during her term from 1990 to 1997, the AP reported. She died "peacefully" surrounded by her children in San José, Costa Rica, where she had relocated in 2023, her family said in a statement.

African nations and countries in Central Asia and Pacific island nations, The Washington Post reported. A State Department spokesperson declined to comment to the newspaper about the report, and the White House did not immediately respond to its request for comment. Earlier this month, the administration restricted travel to the United States by citizens of more than a dozen countries, including Haiti, Cuba and Venezuela. [Editor's note: See related [Q&A](#) in the March 6 issue of the daily Latin America Advisor.]

ECONOMIC NEWS

Peru's Economy Grows 1.4% in April: Statistics Agency

Peru's gross domestic product grew 1.4 percent in April as compared to the same month last year, the country's statistics agency, INEI, reported June 15, Reuters reported. The growth figure for April was below the 4.67 percent expansion that the country's economy recorded in March, according to the agency, the wire

Economists had predicted GDP growth of 2.1 percent in April

service reported. For the first four months of this year, Peru's economy grew 3.26 percent, as compared to 2.38 percent for the same period last year, according to INEI. The GDP growth rate recorded in April was weaker than expected and was held down by slow growth in agriculture and fishing, the agency said, Bloomberg News reported. Economic activity in Peru's fishing industry declined 24 percent in April, and activity in the agriculture sector fell 8 percent, according to INEI. The South American country is a major global produce of fishmeal.

In a survey by Bloomberg News, economists expected a median growth rate of 2.1 percent for April. The country's government has targeted growth of 3.5 percent for this year, and the lower-than-expected expansion for April will complicate that prediction, Bloomberg News reported. The country's central bank last week left its benchmark interest rate unchanged at 4.5 percent. "Most indicators and expectations remained in the optimistic range, in a context where economic activity is hovering around its potential level," the central bank said last week in a statement accompanying the decision to leave the key rate unchanged, Bloomberg News reported. "The outlook for global activity has deteriorated as a result of restrictive measures on foreign trade" it added.

Argentina's Monthly Inflation Rate Falls to Five-Year Low

Argentina recorded month-to-month consumer inflation of 1.5 percent between April and May, marking the lowest such figure since May 2020, according to data released on June 12 by the country's national statistics agency, Bloomberg News reported. Prices rose by 43.5 percent year-on-year in Argentina last month. The May economic data beat experts' predictions; financial analysts polled by Reuters had forecast a median inter-month consumer inflation rate of 2 percent. Core inflation was 2.2 percent, the wire service reported. The positive performance coincided with factors including declining global oil and gas prices and a mild climate, which pushed down power and heating costs, Bloomberg News reported. "Favorable seasonality, lower commodity prices and a relatively tame peso all played a role," Adriana Dupita, deputy chief emerging markets economist at Bloomberg Economics, told the news service. "It may be harder to hold inflation below 2 percent in coming months if those factors wane," Dupita added. Excluding April and May of 2020, when Covid-19-related lockdowns were at their height, Argentina had not recorded month-to-month inflation of 1.5 percent or less since November 2017.

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there are still challenges. AI models need to be watched carefully for mistakes and updated regularly to keep up with new fraud tactics. It's also important to remember that fraudsters are using AI too, which could turn this into a never-ending 'cat and mouse' game. Hopefully, the anti-fraud teams will stay a step ahead—but it's going to take constant vigilance."

A José Carlos Rodríguez Pueblita, professor of business economics at the IPADE Business School in Mexico City:

"Financial services companies across Latin America and the Caribbean are increasingly adopting AI to combat financial fraud, with more than 60 percent of firms in the region already deploying tools such as machine learning algorithms, behavioral biometrics and real-time anomaly detection. According to Credence Research, the sector is projected to grow from \$1.5 billion in 2023 to \$13.1 billion by 2032, driven largely by the need to address rising fraud, including a 32-percent surge in Latin America in the first half of 2024 and a 113 percent increase in malware attacks reported by Latinia. FICO, along with its traditional competitors,

Equifax and Experian, and more recent market participants such as SEON, Feedzai and ThreatMetrix, offer effective AI-based tools for predictive analytics, biometric authentication and automated customer risk scoring, which are especially valuable as digital transactions expand. Besides Banco Bradesco's collaboration with FICO, banks in Mexico like BBVA, Citibanamex, Banorte and HSBC leverage AI to monitor transactions and identify suspicious activity, a practice gradually adopted by their followers. However, scaling AI introduces challenges on data governance that need timely reaction by regulators. Mexico's fintech law and data protection framework, as well as Brazil's new 2024 AI bill can be used as blueprints for the rest of the region. There are also well-known risks such as algorithmic bias, data privacy violations and regulatory exposure. The keys to a rapid and healthy adoption of AI in fraud prevention are model transparency, strong data governance and evolving compliance standards, ideally striking a careful balance between innovation and accountability."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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