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### FEATURED Q&A

#### Are Remittances to Latin America Recovering After the Global Crisis?

**Q** Mexican migrants living abroad sent more money back home in April than they did in the same month a year earlier, the Bank of Mexico said June 1. The year-on-year increase was small, less than 1 percent, but it was the first annual increase in 17 months. The report also said remittances to Mexico from January through April amounted to \$6.6 billion, an almost 9 percent decline from the same period in 2009. Are remittance flows to Mexico and the rest of Latin America recovering? How important are the flows to economic recovery in the region? What is needed for a sustained recovery in remittances?

more than 20 percent of the labor force. In the United States, the percent of people who were unable to remit the same amount as in previous years has declined, but 35 percent are still remitting less. The recovery is substantially important to thousands of households, 2 million of which received less in 2009. In order to ensure the return of remittances, immigrants need to benefit from the economic recovery and improve their current economic conditions with better jobs and earnings, while their relatives must maximize the benefits by improving the man-

*Continued on page 4*

**A** Manuel Orozco, member of the Financial Services Advisor board and director of the remittances and development program at the Inter-American Dialogue: "There exists a slow recovery of remittances to Latin America mostly reflected in that more people are sending money to their relatives with regular frequency. Most remittance recipient countries have registered a recovery by the second quarter of 2010. However, the average amount sent has yet to return to 2008 levels (\$270). Immigrants continue to face various challenges dealing with the economic recovery. In Spain, the severity of the crisis has affected the large majority of immigrants in sending the amounts they were used to remitting, and unemployment has affected



#### RBS Selling Argentine Operation to Banco Comafi

Royal Bank of Scotland Group, led by CEO Stephen Hester, has agreed to sell its Argentine unit to Banco Comafi, the British bank said June 14. See story on page 3.

File Photo: RBS.

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## FINANCIAL SERVICES BRIEFS

**Banco do Brasil Could Raise More Than \$5 Billion in Share Offering**

State-owned **Banco do Brasil** said June 14 it will issue as many as 356.85 million shares in an offering on the São Paulo exchange, which could raise as much as 9.6 billion reais (\$5.3 billion) based on the June 11 closing price, Dow Jones reported. The bank plans to issue 286 million shares in a primary offering and 70.8 million shares through a secondary placement, although it could offer more if there is sufficient demand. Shares are available for reservation from June 21-29.

**MoneyGram Expands Central America Service with Citi**

U.S.-based money transfer company **MoneyGram International** on June 9 announced an agreement to expand its money transfer services to all **Citi** locations in Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Last year, Central America received nearly \$11.6 billion in remittances, accounting for about 17 percent of the region's gross domestic product, according to the Inter-American Development Bank.

**Burroughs Payment Solutions Opening New Office in São Paulo**

U.S.-based payments **Burroughs Payment Systems** announced June 8 it will open a new office in São Paulo that will serve as the center of its Latin America operations. Burroughs, which provides payment-processing image technology and cash-automation services, said it has developed new products specifically for the Latin American market. Earlier this year, private equity firm **Marlin Equity Partners** acquired payment technology assets from **Unisys** to form Burroughs Payment Systems.

**Financial Services News****Santander Buying Out Mexican Unit From Bank of America for \$2.5 Bn**

Spain's **Banco Santander** said June 9 that it is buying out **Bank of America's** 24.9 percent stake in Santander's Mexican unit for \$2.5 billion, giving the Spanish bank almost total ownership of the operation. Bank of America, which is headquartered in Charlotte, N.C., paid \$1.6 billion for the stake in 2003, Bloomberg News reported. Santander said its acquisition of the remaining stake in the Mexican unit will boost earnings per share by 1.3 percent in the first year.



Moynihan

File Photo: Bank of America.

Last month, Bank of America, led by chief executive officer Brian Moynihan, agreed to sell its stake in Brazil's **Itaú Unibanco Holding**, which the bank called a "non-core" asset. Bank of America will continue serving customers in Mexico by the bank's existing operations, said spokesman Jerry Dubrowski, Reuters reported. In December, Bank of America repaid \$45 billion in U.S. government aid and is required to raise \$3 billion in new capital. "We're making progress to having the commitment satisfied by year-end," Dubrowski told Bloomberg News.

**Venezuelan Government Seizes Bank Tied to Opposition TV Station**

The Venezuelan government on June 14 took control of **Banco Federal**, a medium-sized bank whose owner is also the largest shareholder of opposition television station **Globovisión**, according to wire reports. Venezuelan Minister of Public Banks Humberto Ortega Díaz said the "closed-door" intervention of Banco Federal was due to the bank's failure to comply with regulations, state news service ABN reported. He added that inspections by the regulator, known as Sudeban, showed several irregularities at the bank, including failure to meet the central

bank's requirements for solvency, insufficient provisions for loan losses and failure to carry out a government-mandated capital increase. Banco Federal President Nelson Mezerhane denied the charges June 14 in an interview with **Globovisión**. "It's false that they asked us for a capital increase of 1.2 billion bolivars and what we did was only 10 percent," Mezerhane said, adding that the bank's seizure is an "arbitrary action against all Venezuelans, not just Banco Federal." The government shuttered the bank at 3:30 p.m. local time and said a commission will take 60 days to decide whether to liquidate or "rehabilitate" it. Bloomberg News reported that more than 200 clients swarmed one of Banco Federal's branches in Caracas in a last-ditch effort to withdraw their funds.

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*Mezerhane said the government's takeover of the bank was the price he paid for refusing to close down Globovisión.*

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Banking Superintendent Edgar Hernández said 96 percent of Banco Federal's 273,000 depositors are covered by the government's deposit insurance fund. The Venezuelan government has seized 12 lenders since November over charges of insolvency and corruption. Mezerhane said the government's takeover of the bank was the price he paid for refusing to close down **Globovisión**, where he is cofounder and a director. Last week, the government of President Hugo Chávez issued an arrest warrant for **Globovisión's** president, Guillermo Zuloaga, charging him with hoarding vehicles at one of his residences. Zuloaga has refused to turn himself in, saying in a **Globovisión** interview that to do so would be "no favor to **Globovisión**, my country or my family." U.S. State Department spokesman P.J. Crowley said June 14 the United States is "seriously

concerned" about the arrest warrant for Zuloaga. "This is the latest example of the government of Venezuela's continuing assault on the freedom of the press," Crowley said.

### RBS Agrees to Sell Argentine Operations to Banco Comafi

Britain's state-owned **Royal Bank of Scotland Group** has agreed to sell its operations in Argentina to **Banco Comafi**, RBS said June 14. The cash transaction will not materially affect RBS and is scheduled to be completed in the first half of next year, RBS added. The sale follows RBS' agreement to sell its business in Colombia to **Bank of Nova Scotia** in March. Also, RBS sold its offshore loan book covering assets in Argentina, Venezuela and Chile. RBS has been working to trim its balance sheet and scale back international operations, Bloomberg News reported. RBS CEO Stephen Hester has been selling assets after his predecessor, Fred Goodwin, expanded the bank's presence into more than 50 countries, making more than \$100 billion in acquisitions. In 2008, RBS posted the largest loss in Britain's corporate history and is now scaling back its businesses in 36 countries. In Latin America, RBS will continue operating in Brazil and Mexico. RBS, which is 83-percent owned by the British government, also plans to sell **Global Merchant Services**, its credit card processing unit, in addition to its insurance operations and 318 branches in Britain. During the credit crisis, RBS received 45.5 billion pounds (\$U.S. 67 billion) of taxpayer money.

### Standard Bank Denies It's in Talks to Sell Argentine Unit

South Africa-based **Standard Bank** on June 10 denied media reports that it is in talks to sell its Argentine unit. "We remain firmly committed to our business in Argentina," Deputy Chief Executive Peter Wharton-Hood said in a statement. "Rumors and false reports to the contrary are completely inaccurate and inappropriate." Wharton-Hood said the bank had over the years "entertained approaches from a few interested parties" about its

## Subscriber Notice

*Inter-American Dialogue Roundtable Discussion:*

### Remittances Scorecard for Latin America and the Caribbean

*with*

**Manuel Orozco**

Director, Remittances and Development Program  
Inter-American Dialogue

*and commentary by*

**Sergio Perez Ruiz**

CEO, More Money Transfers

**Paul Dwyer**

CEO, Viamericas Corp.

**Paloma Monroy**

Advisor to the World Bank's Remittance Pricing Database

Friday, June 18

12:30 - 2 p.m.

Inter-American Dialogue

1211 Connecticut Ave., NW, Suite 510

Washington, D.C.

RSVP to [meetings@thedialogue.org](mailto:meetings@thedialogue.org)

*Please include your name and affiliation.*

Argentine business, but added that such discussions were "in keeping with good corporate governance," which required such offers to be properly considered. He said the bank's Argentine business remains profitable, sustainable and stable. "Any interest shown by third parties in the business is confirmation of our success in Argentina," he said, adding that the bank remains committed to growing

its branch network in the South American country. South Africa's *Financial Mail* on June 10 reported that Brazil's **Itaú Unibanco** and Britain's **HSBC** have both expressed interest in acquiring Standard's Argentine unit. The article did not say where it got the information. Standard Bank is Argentina's fourth-largest retail financial firm and South Africa's largest bank by assets and earnings.

## Political News

### U.S., Cuba Officials Plan Talks This Week in Washington

Officials from the U.S. and Cuban governments plan to meet Friday in Washington for migration talks, the first such meeting since one in Havana last February, Agence France-Presse reported June 13. The purpose of the meeting is for U.S. officials to monitor Cuba's compliance with an agreement under which the United States issues 20,000 visas to Cubans each year, the Associated Press reported. However, similar meetings have included discussions on more controversial topics as well. In the last such meet-

*U.S. officials have said there is little hope for better relations with Havana as long as Alan Gross remains jailed in Cuba.*

ing, U.S. officials pressed Cuba to free Alan Gross, a U.S. contractor whom Cuba has imprisoned on allegations of spying. Gross has been jailed in Cuba since December without being charged. In February, U.S. officials also met with dissidents. This week's talks will happen in Washington, though the site has not yet been determined, Gloria Barbena, spokeswoman at the U.S. Interests Section in Havana told the AP. Fidel Castro has harshly criticized U.S. President Barack Obama over topics ranging from his work on climate change to U.S. support for Israel and the use of U.S. troops for earthquake relief in Haiti. The U.S. government's maintaining of Cuba on a list of state sponsors of terrorism in December particularly angered Cuba. Officials in the United States have said there is little hope for warming relations between the two governments as long as Gross remains in jail.

### Featured Q&A

*Continued from page 1*

agement and handling of this valuable income."

**A** **Sumeet H. Chugani and Ricardo Ortiz, associate attorneys at Diaz, Reus & Targ, LLP:** "Remittances to Latin America are rebounding after an 18-month downturn. From 1998 to 2008, remittances to the region increased an average of 15 percent each year. Because remittances continue to be an indispensable lifeline for many throughout Latin America and the Caribbean, their recent decline (although modest) posed a significant hardship to individuals and governments alike. This was especially true for those Latin American nations facing external financing gaps. In Mexico, remittances are the second leading source of income, behind only oil exports. Indeed, Mexico is the largest recipient of remittances in the region. Consequently, Mexico's drastic remittance drop of more than 16 percent, down to \$21.1 billion in 2009, continues to have grave consequences for that country's fight against poverty and its efforts at continued economic development. Strong remittance flows throughout Latin America are vital for both current economic recovery and future

infrastructure building. In El Salvador, Guyana, Haiti and Honduras, for example, remittances continue to be a fundamental source of stable income. For a region which continues to lack access to credit, remittance flows naturally impact the livelihood, education, business and overall productivity of individuals who

**“In Mexico, remittances are the second leading source of income, behind only oil exports.”**

**— Sumeet H. Chugani & Ricardo Ortiz**

are otherwise locked out of conventional sources of capital gain. Certainly, traditional investments in physical and human capital, trade and foreign direct investment must continue in order to allow Latin America as a region to develop its infrastructure and expand its economy. However, strategically harnessing the contribution of remittances through reliable transfers of funds will play a necessary role in achieving Latin America's ultimate goal of becoming a significant force in the global economy.

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### Guatemala's Institutions Riddled With Corruption: Castresana

Guatemala's government is riddled with corruption, hindering efforts to fight murderers, drug traffickers and other criminals, the departing head of a United Nations commission established to fight high-level corruption told reporters June 14, according to Reuters. Spanish judge Carlos Castresana resigned in frustration June 7 as the U.N.'s International Commission Against Impunity in Guatemala (CICIG). He said it was impossible for him to work with government counterparts who protect criminals. This week, he said corruption is entrenched in the Central American country's government. "There is criminal

activity including drug trafficking, murders, contraband, people trafficking and [authorities] enable criminal activity by guaranteeing impunity," said Castresana. "The country's institutions are infiltrated." Castresana added that public officials in several government agencies are corrupt and should be removed from office. "We have to get rid of the corrupt public servants one by one. We have to get rid of people from the attorney general's office, from the judiciary, from the interior ministry, but this is scarcely the tip of the iceberg." When he



**Castresana**

*File Photo:  
Guatemalan Gov't.*

resigned, Castresana also expressed frustration over the appointment of Conrado Reyes as attorney general. He accused Reyes of having ties to organized crime. Reyes denied the allegations, but the country's Constitutional Court removed him from his post three days later.

### Clinton: United States Will Continue Standing by Colombia

U.S. Secretary of State Hillary Clinton on June 9 told Colombian President Álvaro Uribe that the United States will continue supporting Colombia after it inaugurates a new president in August, the Associated Press reported. "The United States has been proud to stand with Colombia and we will continue to stand with you in the future," Clinton said alongside Uribe at a news conference in Bogotá. Clinton also met with the two candidates vying to replace Uribe, former defense Minister Juan Manuel Santos and former Bogotá Mayor Antanas Mockus. Apparently referring to Venezuelan President Hugo Chávez, Clinton said, "But I want to underscore for anyone who is listening or watching that the United States will stay a strong partner with Colombia in meeting the security needs that Colombia faces." On June 8, Clinton met with Ecuadorean President Rafael Correa in Quito and emerged saying the United States wants better relations with the countries in the region, even ones like Ecuador that became harsh critics of the United States during the administration of former U.S. President George W. Bush, *The New York Times* reported. "I don't know any two countries that agree on everything," Clinton said. Correa, who is aligned with Chávez, said he does not consider the United States an adversary. Earlier in the week, Clinton attended the Organization of American States General Assembly meeting in Lima, where she called on OAS member states to readmit Honduras, whose membership in the organization was suspended last year after then-President Manuel Zelaya was deposed in a coup. At the close of the meeting, the OAS agreed to send a commission to Honduras to evaluate the political situation there and report back to the General Assembly by July 30.

## Economic News

### Chávez Suspends Venezuela's Electricity Rationing

Venezuelan President Hugo Chávez on June 10 suspended a national electricity rationing plan, saying that heavy rains have strengthened the electrical grid, Bloomberg News reported. "I feel a great spiritual relief because I suffered through these measures that we had to take," Chávez said on state television. "This shows our capacity to confront crisis after crisis." In January, the government ordered a reduction of 20 percent in electricity usage and penalized those who did not comply. A drought had caused water levels at the Guri hydroelectric dam to fall within eight centimeters of a collapse. The dam supplies hydropower plants that supply more than two-thirds of the country's electricity. The water levels are now higher due to the rainy season. The electricity rationing harmed Venezuela's economic growth and lowered production of steel and aluminum, said Chávez. The country's economy contracted 5.8 percent in the first quarter. The government will begin restoring electricity to Venezuela's largest steel mill, run by **Siderurgica del Orinoco**, as well as aluminum producers that are part of state-run **Venezolana de Guayana**, said Venezuela's electricity minister, Ali Rodríguez.

### Meirelles: Central Bank Independence Aids Brazil's Economy

Making Brazil's central bank more independent would help decrease uncertainty in the South American country's economy, central bank chief Henrique Meirelles said June 11 at a conference in São Paulo sponsored by Bloomberg News. "For risk premiums to continue falling in Brazil's economy, it's important that there is growing confidence over the institutionalization of the stability of the central bank as an independent regulating agency," the bank chief said, according to the news service. Meirelles said it is up to Brazil's lawmakers and president to decide whether to formally make the bank independent.

## POLITICAL & ECONOMIC BRIEFS

### Colombia's Santos Eyes Balanced Budget by '14: Economic Advisor

Juan Manuel Santos, the front-runner ahead of Colombia's June 20 presidential election runoff, aims to balance the country's budget by 2014 and achieve annual economic growth of 6 percent within the first two years of his term, Santos' economic advisor told Bloomberg News June 10. Santos' plans to increase economic growth include a doubling of government housing subsidies for middle-class and poor residents, higher infrastructure spending and efforts to diversify the agricultural sector, said the advisor, Juan Carlos Echeverry.

### Slim, Gates Announce \$150 Mn for Health Initiative

Carlos Slim and Bill Gates, the world's two richest men, together with Spain on June 14 announced a donation of \$150 million to fight health problems including malaria, dengue and malnutrition in Mexico and Central America, the Associated Press reported. Slim's and Gates' foundations and the Spanish government will each donate \$50 million to the 2015 Meso-American Health Initiative, a partnership involving regional governments, private foundations and bilateral donors.

### Peru's Exports Expected to Grow 12 Percent This Year

Peru's exports are forecast to grow by 12 percent this year, according to the country's Export and Tourism Promotion Board, state-run Agencia Andina reported June 13. The estimate is pared back from a forecast earlier this year of 16 percent growth, said Juan Carlos Mathews, export director of the board, known as PromPeru.

**Featured Q&A***Continued from page 4*

With recent signs of growth in the U.S. economy, remittance flows to Latin America should not only stabilize, but potentially surpass their previous levels."

**A** **Maricruz Aparicio, head of savings and family remittances at BAC Honduras in Tegucigalpa:** "The rate of remittances to Mexico and the rest of Latin America will continue with expectations of very slow growth and recovery. This is a good thing. However, this does not mean remittances will reach the levels of past years, as this depends on factors including the state of the labor market and the construction industry. It also depends on immigration policies, which are becoming increasingly stricter, like the anti-immigrant law recently approved in Arizona. Mexico is the most affected by this particular law. Remittances are extremely important as they strengthen the balance of payments and GDP of receiving countries. Similarly, they have a significant impact on domestic demand, which invigorates investment. The effects of the international crisis have opened opportunities for development, especially in migration issues. They lead to instruments and development programs such as loyalty-building mechanisms and strategic alliances, which can help lead to a recovery in remittances under models that are differentiated and focused on social programs of migration protection, innovation and education. Those programs have a commitment to develop investment opportunities, help alleviate poverty and improve health and security."

**A** **Sergio Perez Ruiz, CEO of More Money Transfers in Montevideo, Uruguay:** "The inflow of remittances to the region is at a plateau. Any country may experience some slight signs of recovery

such as in Mexico. However, remittances to other countries, such as Brazil and Paraguay, have continued to fall. Although the amount of remittances has been sustained or is growing in some cases, the volumes and average amounts of remittances continue falling, especially from Europe. Remittances can be the principal driver of commerce and a main economic support for the education of the neediest sectors. They are important not only for economic recovery, but also

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“ [Remittances] are important not only for economic recovery, but also as the foundation for future generations. ”

— Sergio Perez Ruiz

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as the foundation for future generations. The first thing needed for a recovery in remittances is that social safety nets in developed countries attend to the needs of migrants and don't discriminate against them. Secondly, job creation will undoubtedly be the primary vehicle for coming out of this crisis, which is affecting markets that generate remittances. It would also be good to identify new destinations where growth is leading to demand for labor and to promote these regions as destinations for migrants."

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*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

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