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FEATURED Q&A

Is Colombia's Gov't Effectively Fighting Money Laundering?



An international organization that fights money laundering cut off Colombia's access to its information after President Gustavo Petro publicized information from one of its reports. // File Photo: Colombian Government.

Q The Egmont Group, an international organization that fights money laundering, announced Sept. 23 that it had suspended Colombia's access to its data after President Gustavo Petro publicized information from one of its reports. What does Colombia's loss of access to the group's future reports mean for its efforts to combat money laundering? How effective are the efforts of Petro's government against money laundering? How adequate are the anti-money laundering procedures of Colombia's banks and other financial services providers?

A Marcelo Buendía Vélez, associate attorney in the Bogotá office of Diaz Reus and a former prosecutor in Colombia's anti-money laundering unit: "The Egmont Group is undoubtedly one of the most important sources of information for its members in the fight against money laundering. The information provided by the Egmont Group to Colombia's Financial Intelligence Unit is a vital asset in the battle against money laundering and financing of terrorism in Colombia. The recent suspension clearly affects Colombia and is concerning; however, it's important to understand that there is still much to discern and analyze regarding this situation. In fact, the decision is not definitive, and I am hopeful that it can be reversed through appropriate use of international cooperation channels that have characterized Colombia, regardless of the government. We must remember that the fight against money laundering does not depend solely on the national government, as various actors also influence it. Specifically, for investigation and prosecution cases, the attorney general's office plays a crucial role, as it

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TOP NEWS

CREDIT CARDS

Credit Card Delinquency Rate Rises in Mexico

Credit card delinquency rates in Mexico increased by 13 percent this year through August, according to the National Banking and Securities Commission.

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REMITTANCES

Honduras Sees 5% Growth in Remittances

Honduras received \$7.2 billion in remittances over the first nine months of this year, a 5 percent increase as compared to the same period last year.

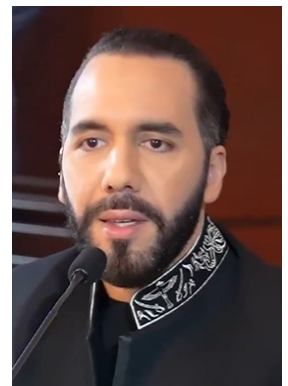
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BANKING

JPMorgan Structures \$1 Bn Debt Swap Deal for El Salvador

JPMorgan Chase & Co. has completed a \$1 billion debt swap deal that will help El Salvador pay for conservation of wetlands. President Nayib Bukele said the deal will support economic growth and environmental conservation.

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Bukele // File Photo: @nayibbukele via X.

BANKING NEWS

JPMorgan Structures \$1 Billion Debt Swap Deal for El Salvador

JPMorgan Chase & Co. has completed the restructuring of a \$1 billion debt swap deal for El Salvador, Bloomberg News reported Oct. 16. The refinancing deal, which will allow El Salvador to help pay for the conservation of wetlands, involves approximately 14 percent of the Central American nation's debt, the news service reported. The transaction is JPMorgan's entrance into the debt-for-nature swap market and was arranged in conjunction with the U.S. International Development Finance Corporation. U.S.-based humanitarian organization Catholic Relief Services and the Environmental Investment Fund of El Salvador will oversee the transaction's conservation component, which will be used to help protect the Rio Lempa river, the news service reported. El Salvador has "effectively brought all parties together to create a structure that combined traditional and innovative capital market technologies aimed at achieving execution certainty and cost savings," Robert Cozzari, JPMorgan's head of Latin American markets, told Bloomberg News in an email. The deal involves El Salvador's repurchasing of \$1.03 billion worth of outstanding bonds at discounts to their par values, the news service reported. The deal generates \$352 million in savings for El Salvador, which will allocate that money to protect the river and surrounding areas, Bloomberg news reported. The arrangement "not only reaffirms this government's commitment to economic growth, it also enables us to achieve this growth while preserving one of our most precious natural resources," President Nayib Bukele said in a statement. "With this debt conversion, we aim to transform the environmental and economic future of El Salvador," he added. The arrangement follows a statement in early August by the International Monetary Fund, which said it had reached a "preliminary agreement" with El Salvador on a new lending arrangement. A main challenge for

Bukele is "maintaining macroeconomic stability amid high public debt," Valeria Vásquez, a senior analyst at Control Risks, told the Latin America Advisor in an Aug. 16 Q&A. A major component of Bukele's economic plan is an IMF loan, "which will help the country address fiscal imbalances and resolve ongoing liquidity issues while also financing the government's expanding social and security programs," she added.

CREDIT CARD NEWS

Credit Card Delinquency Rate Rises in Mexico

Credit card delinquency rates in Mexico increased by 13 percent between January and August of this year, according to recently released data from Mexico's National Banking and Securities Commission (CNBV), Ciudad Juárez-based news outlet Puente Libre reported on Oct. 21. Mexico's nationwide rate of credit card delinquency—defined as being at least one month behind on required payments—was 12.88 percent in August, according to the CNBV's data, which is 13 percent higher than the rate was in January, and 25 percent higher than it was in August 2023. Several retail banks have credit card delinquency rates above 15 percent, including Santander, Banco Azteca, Afirme and ABC Capital, according to the CNBV. In September, Mexico's central bank voted to cut its benchmark interest rate to 10.50 percent, a rate that remains well above other major economies in the region, including the United States, Colombia and Chile, Reuters reported. High interest rates and "persistent inflation" are the primary factors driving up credit card delinquency in Mexico, Quasar Elizunda, research strategist at foreign exchange broker Pepperstone, told Puente Libre. But with inflation easing and liquidity remaining high in the banking sector, analysts are generally hopeful that Mexico's economy can weather the ongoing storm of credit card delinquencies. "[Mexican] banks are in a good financial

NEWS BRIEFS

Citi Hires Leyva to Head Tech Overhaul Ahead of Banamex's IPO

Citigroup has hired BBVA's head of software development away from the bank in order to lead an overhaul of Banamex's technology architecture ahead of its initial public offering next year, Bloomberg News reported Oct. 18. Francisco Leyva will be Banamex's head of operations and technology once it separates from Citigroup, unnamed sources told the news service. Banamex is expected to separate from Citi by the end of this year, with an IPO scheduled for the end of next year. Leyva will report to Manuel Romo, who is Citibanamex's CEO and is to have the same role at Banamex.

AM Best Affirms Ratings of Mapfre Mexico With Stable Outlook

Ratings agency AM Best on Oct. 17 affirmed its ratings for insurer Mapfre Mexico with a stable outlook. The insurance-focused ratings agency said in a statement that it was affirming its financial strength rating of A, long-term issuer credit rating of a+ and its Mexico scale rating of aaa.MX, all high ratings. AM Best added that it assesses parent company Mapfre's balance sheet as "very strong."

PXP Financial Partnering With Ecuador's Kushki on Latin America Payments

Global payment services firm PXP Financial announced Oct. 15 that it is partnering with Quito-based payments platform Kushki in an effort to expand its services in Latin America. PXP Financial said the partnership will allow it to leverage Kushki's technology "to create innovative and tailored payment solutions" for the region, which includes plans to launch card acquiring in Mexico, Chile, Colombia, Ecuador, and Peru, PXP Financial said.

position with high levels of capital and liquidity to face potential market and economic uncertainties,” Alejandro Tapia, senior director for Latin American Financial Institutions at Fitch Ratings, told the Financial Services Advisor in a Q&A published on Sept. 11.

PAYMENTS NEWS

Financial Services Firm Apex Acquires Chile’s Finix Group

Global financial services company Apex Group has acquired Chilean digital payment platform and fund manager Finix Group, the two companies announced on Oct. 17. Apex’s acquisition of Finix Group will “[position] Chile as a leading hub for developing the financial services industry across the Andean region,” Raimundo Ducci, founder and executive director of Finix Group, said in a joint statement. Apex Group already has operations in Brazil and Uruguay; Finix Group will add \$10.5 billion in assets and around 100 employees to Apex Group’s portfolio in the Southern Cone. “I’m extremely pleased to now further grow our footprint within the Latin American market with this acquisition,” said Peter Hughes, Apex Group’s founder and CEO. Under the terms of the acquisition agreement, Finix Group’s clients will now have access to a number of Apex Group’s services, the companies said, including capital raising, fund administration, as well as corporate management and ESG advising.

REMITTANCES NEWS

Honduras Sees 5% Remittances Growth Through September

Honduras received \$7.2 billion in remittances between January and September of this year, the country’s central bank reported on Oct. 17.

FEATURED Q&A / Continued from page 1

operates autonomously and is not dependent on the national government. In terms of prevention, the financial sector’s stance is also significant, particularly through the implementation of controls such as knowing their clients and identifying suspicious transactions. Colombia has been actively fighting against money laundering, and it has done so independently of the government in power. The policies of the attorney general, the government and private entities have not ceased. Undoubtedly, there is always a way to improve in Colombia through cooperation, coordination and resources. Regarding the Egmont Group suspension, I hope that by 2025, this issue will be resolved.”

A Maggie Feldman-Piltch, national security fellow in the Science and Technology Innovation Program at the Wilson Center:

“Colombia’s recent loss of access to the Egmont Group’s data presents a significant challenge to its anti-money laundering (AML) efforts and international credibility. The Egmont Group facilitates vital information exchange among financial intelligence units. This setback hampers Colombia’s ability to monitor suspicious transactions and collaborate effectively with partners—essential for prosecuting money laundering cases. And the timing couldn’t be worse. Over the past decade, Colombia has improved its AML framework, aligning regulations with international standards and enhancing oversight through the establishment of the Financial Intelligence Unit. However, the initiatives are still undermined by corruption, resource limitations within regulatory bodies and

organized crime networks, particularly those involved in drug trafficking. The picture in the industry is similarly murky. Banks have adopted ‘know-your-customer’ policies and are required to monitor transactions for suspicious activity, but the effectiveness and consistency of those regimes leave much to be desired. Regulatory oversight from the

“Colombia’s recent loss of access to the Egmont Group’s data presents a significant challenge to its anti-money laundering efforts and international credibility.”

— Maggie Feldman-Piltch

Superintendencia Financiera de Colombia is in place, but uniform enforcement across institutions is often a challenge, too. This situation is not likely helped by Colombia’s recent expulsion, either. Colombia is less than two years removed from the Financial Action Task Force (FATF) grey list for inadequate AML measures, and this latest development certainly increases the risk for backsliding. A weakened AML framework could encourage illicit financial flows, affecting neighboring countries and undermining regional stability. In short, it is crucial that Colombia strengthen investigatory, enforcement and compliance mechanisms across the relevant institutions and rebuild credibility rather than pour gasoline on a fire.”

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The third-quarter remittance figure for 2024 represents a 5 percent increase from the same period of 2023, local news outlet Hondudiario reported on Oct. 18. Total remittances over the first three quarters of 2024 represent approximately 25 percent of Honduras’ GDP over the same period, according to data from the International Monetary Fund. Honduran citizens living abroad sent \$840 million back to

the Central American country in September, the central bank reported, up \$5 million from August. The recent data published by Honduras’ central bank show a steady growth trajectory in terms of remittance value; remittances grew by 6 percent between 2022 and 2023. Remittances have outpaced Honduras’ overall gross domestic product, which has grown at a rate of 3 to 4 percent since 2022, according

to the IMF. Ninety-one percent of Honduras' remittances through September came from the United States, according to the central bank, followed by Spain at 5 percent and Mexico at 1 percent. The bank said in its statement that 31 percent of remittance senders have made multiple payments this year to cover costs such as construction, family events and medical expenditures.

POLITICAL NEWS

Peru's Toledo Sentenced to More Than 20 Years

Former Peruvian President Alejandro Toledo, 78, was sentenced on Oct. 21 to 20 years and six months in prison after being convicted of accepting bribes from Brazilian construction conglomerate Odebrecht, Reuters reported. Toledo, who was Peru's president from 2001 to 2006, was found guilty in a Lima courtroom of

Toledo was extradited to Peru from the United States in 2022.

taking \$35 million in bribes from the company, now known as Novonor, in exchange for allowing it to win a contract to construct a road that connects Peru's southern coast with western Brazil. Odebrecht admitted in 2016 that it had bribed officials in several countries to secure public works contracts. In imposing the prison sentence, Judge Inés Rojas of the National Superior Court of Specialized Criminal Justice said Toledo "defrauded the state" and failed to "act with absolute neutrality, protect and preserve the assets of the state, avoiding their abuse or exploitation," the Associated Press reported. Toledo has denied wrongdoing, and his lawyer, Roberto Siu, told reporters that the former president will appeal the sentence. Last week, Toledo told the court that he is battling cancer and asked to serve out his sentence at home. "Please let me heal or die at home," he

ADVISOR Q&A

Will Sheinbaum's Strategy Help Make Mexico Safer?

Q Mexican President Claudia Sheinbaum announced on Oct. 8 that her government's security strategy will strengthen intelligence to reduce kidnappings, murder and extortion. Sheinbaum unveiled her plan just days after the killing of Alejandro Arcos, who had taken office as the mayor of Chilpancingo less than a week before. What are the most important parts of Sheinbaum's security strategy? How different is her plan from the controversial "hugs, not bullets" policy of her predecessor, Andrés Manuel López Obrador? What role will the National Guard play? What does new Security Minister Omar García Harfuch bring to his role, and how successful is he likely to be in achieving the president's goals?

A Lisa Sánchez, executive director of Mexico United Against Crime: "President Claudia Sheinbaum and Secretary of Citizen Security Omar García Harfuch unveiled their six-year security strategy amid a surge in violence, particularly following the assassination of the mayor of Chilpancingo. The strategy focuses on four main axes: addressing the root causes of violence, strengthening the National Guard, enhancing intelligence and investigative capabilities and improving interagency coordination. Key goals include reducing crime rates, neutralizing violent crime generators, and bolstering local police capabilities. The strategy aims to tackle high-impact crimes

said, Reuters reported. The legal case against Toledo has dragged on for years. Toledo was first arrested in 2019 in California, where he had lived since 2016, the AP reported. He had returned as a visiting scholar to Stanford University, from which he had earned a master's

such as extortion and drug trafficking while prioritizing vulnerable areas with high crime rates. It also proposes creating a National Intelligence System to improve data sharing among security agencies. Despite these advancements, there are concerns about the continued reliance on military forces and the lack of clarity regarding specific implementation measures, especially regarding local police support. The strategy has received mixed reviews. Positive aspects include a more focused geographic approach and a comprehensive framework that combines prevention, analysis and judicial action. However, critics argue that it remains overly militarized, potentially exacerbating violence without adequately addressing local police development. Furthermore, the ambiguity surrounding specific actions and the lack of a clear definition of targeted areas raise concerns about its effectiveness. As the administration moves forward, the challenge of demilitarizing public security remains in place, while the need for extraordinary justice mechanisms and more balanced and community-based approaches to security increases. Succeeding at doing so will be critical in shaping Mexico's security landscape."

EDITOR'S NOTE: More commentary on this topic appears in the Oct. 21 issue of the Latin America Advisor.

degree and a Ph.D. He was originally held at a county jail near San Francisco but then was released to house arrest in 2020. He was extradited to Peru in 2022 and has been in preventive detention since then, the AP reported. Rojas, the judge in his case, said Toledo will

NEWS BRIEFS

United Nations Biodiversity Conference Begins in Colombia

The United Nations Biodiversity Conference, also known as COP16, began Oct. 21 in Cali, Colombia, the Associated Press reported. Environment and climate ministers from more than 190 countries will meet over the next two weeks to gauge the state of biodiversity loss around the globe. Global wildlife populations have declined by 73 percent on average in the last 50 years, according to the AP—Latin America witnessed 95 percent average wildlife population decline over the same period.

Chile's Central Bank Cuts Benchmark Interest Rate by 25 Basis Points

Chile's central bank voted on Oct. 17 to cut its benchmark interest rate by 25 basis points to 5.25 percent, Reuters reported, extending an easing cycle that began in the middle of 2023. The rate cut, which central bankers approved unanimously, comes amid cooling inflation and slumping mineral export revenues. Annual inflation in Chile slowed to 4.1 percent in September, down from 4.7 percent in August, according to Reuters.

Dominican Republic's Bonds Fall After President Withdraws Tax Bill

The Dominican Republic's sovereign bonds lost 2.6 cents on the dollar on Oct. 21, Bloomberg News reported, after President Luis Abinader withdrew a contentious tax collection bill that he hoped would lead ratings agencies to upgrade the country to investment status. The Dominican Republic has one of the lowest levels of tax collection in the region; Abinader's bill would have increased fiscal revenue by 1.5 percent of GDP through increases in income, corporate and property tax rates.

receive credit for time served since April 2023. The prison where he is to serve his sentence also houses former President Pedro Castillo, who unsuccessfully tried to dissolve the country's Congress in 2022, Reuters reported.

Guatemalan Journalist Released to House Arrest

Guatemalan journalist José Rubén Zamora, the founder of leading newspaper *elPeriódico*, was released to house arrest on Oct. 19 after spending more than two years in prison, *The New York Times* reported. Zamora was released after a judge ruled that he had spent too much time in prison without having a new trial and that he was not likely to flee the country. "I have never wanted to flee Guatemala, which is also my country, not just the country of the authorities in power," Zamora, 68, told the judge, *The New York Times* reported. "If you place your trust in me, I will honor it," he added. Last year, Zamora was convicted of money laundering and sentenced to six years in prison; he has denied wrongdoing and has said that the charges against him were retaliation for his newspaper's reporting on public corruption. An appeals court in October 2023 overturned his conviction and ordered a new trial to be held in 2025, Reuters reported. In August, the United Nations said Zamora was being held in conditions that may have been tantamount to torture.

Former Mexican Public Security Chief Sentenced to 38 Years

Former Mexican public security chief Genaro García Luna was sentenced Oct. 17 in the United States to more than 38 years in prison after being convicted of accepting bribes from drug traffickers, the Associated Press reported. García Luna, who was found guilty last year in federal court in New York, led Mexico's federal police force from 2006 to 2012 under

then-President Felipe Calderón and was responsible for leading Calderón's high-profile "war" on drug cartels in the country—all while accepting millions of dollars in bribes from the Sinaloa Cartel in exchange for securing the safe passage of drug and weapons shipments, U.S. federal prosecutors argued during his trial. Prosecutors said García Luna intentionally sabotaged operations aimed at capturing drug cartel leaders and accepted at least \$6 million in direct cash bribes from the Sinaloa Cartel, according to the AP. "It may not have been the defendant pulling the trigger, but he has blood on his hands," Assistant U.S. Attorney Saritha Komatireddy told the judge, the wire service reported. In addition to serving the prison sentence, the court ordered García Luna to pay \$2 million in fines. García Luna has maintained his innocence throughout the legal process, telling the court that he has "a firm respect for the law," the AP reported.

ECONOMIC NEWS

Puerto Rico Solar Projects to Get Loan Guarantees

The U.S. Department of Energy announced it will award \$861 million in loan guarantees for two solar energy and battery storage projects in Puerto Rico, the Associated Press reported on Oct. 16. The solar farms, which will be located in the towns of Guayama and Salinas on Puerto Rico's southern coast, will be capable of generating 460,000 megawatts of electricity—enough to power 43,000 households, equal to 3.4 percent of the territory's population—the Department of Energy said Oct. 15 in a statement. The planned projects are owned by a joint venture of French oil major TotalEnergies and a subsidiary of U.S. utility provider AES Corporation. U.S. Energy Secretary Jennifer Granholm said the projects will "help reduce energy costs that have remained too high for too long for too many families—all while enabling the commonwealth to reach its ambitious climate goals."

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Alexandra Solórzano, chief executive owl at Owl Consultancy Group: "From family members allegedly accepting illicit money to campaign finance controversies to corruption scandals, the Petro presidency has not been smooth sailing. So why add fuel to the fire? Or more specifically, why risk losing access to the global network of financial intelligence units whose sole purpose is to combat illicit financing? The answer may not be as simple. Colombia has faced many challenges throughout history, with the most recent being narco-trafficking and the guerrillas. The peace accords brought their own sets of challenges, but overall, the country has been moving forward. So, why make such a move? In Latin America, where democratic institutions are not fully independent and are prone to being weaponized, leaders can influence the focus of democratic institutions. In particular, institutions that exist for the purpose of combating corruption, bribery and money laundering can easily be weaponized, turning the process into a witch hunt. Is national security another excuse for a witch hunt targeting the opposition or a genuine attempt at transparency? Time will reveal the true motive behind this action. The Petro administration has made progress in improving its compliance with Financial

Action Task Force (FATF) standards. According to a 2023 follow-up report, Colombia is now 'compliant' or 'largely compliant' with 28 of 40 FATF recommendations. However,

“The actions the country takes going forward will determine where its priorities lie and if it will continue to combat illicit financing.”

— Alexandra Solórzano

despite improvements, Colombia still faces significant challenges in areas such as beneficial ownership transparency and regulation of designated non-financial businesses and professions. The suspension from the Egmont Group highlights the ongoing challenges Colombia faces. The actions the country takes going forward will determine where its priorities lie and if it will continue to combat illicit financing.”

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

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