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FEATURED Q&A

How Robust Is Int'l Cooperation Against Financial Scams?



New York's attorney general, Leticia James, last month sued two cryptocurrency companies, alleging that they were involved in scams that preyed on Haitian immigrants. // File Photo: State of New York.

Q **New York Attorney General Letitia James sued two cryptocurrency companies and their promoters in early June, alleging that they perpetrated scams to defraud thousands of people, particularly targeting immigrants from Haiti and elsewhere, out of more than \$1 billion. The defendants include a married couple who reportedly fled to Panama to operate their alleged scam. How well are authorities in the United States and Latin American and Caribbean countries working together to fight financial scams? What are the main challenges law enforcement officials face in combating cross-border fraud? How adequate are financial laws and regulations in the United States, Latin America and the Caribbean at preventing cross-border scams?**

A **Rafael Szmid, counsel of Reed Smith's Regulatory and Investigations practice group in New York:** "The rapid evolution of crypto technologies enables Latin American criminals to make their identification highly complex and hinder asset recovery in the United States, presenting significant challenges for law enforcement. Effective cooperation between U.S. authorities and those in Latin American and Caribbean nations is therefore increasingly critical to combat financial scams. It's crucial to recognize the varying levels of maturity, regulatory frameworks and resources among Latin American and Caribbean countries. These factors significantly affect law enforcement agencies' ability to conduct thorough investigations and pursue international cases efficiently. To mitigate future challenges such as evidence annulment and obstacles in extradition and asset recovery requests—ex-

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ANTI-MONEY LAUNDERING

Panama Judge Acquits 28 People Linked to Scandals

A judge in Panama has acquitted 28 people who had been charged in connection to the Panama Papers and Operation Car Wash scandals.

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ANTI-MONEY LAUNDERING

U.S. Imposes Sanctions for Alleged Money Laundering

The U.S. Treasury's Office of Foreign Assets Control imposed sanctions on one person in Mexico and two people in China amid allegations that they laundered money for a drug cartel.

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BANKING

Argentine Officials Reassure Bankers in Meeting: Report

Top Argentine officials, including Finance Minister Luis Caputo, reportedly told private bankers that they will buy up new treasury notes if that action is needed in order to ensure market liquidity.

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Caputo // File Photo: Argentine Government.

BANKING NEWS

Argentine Officials Reassure Bankers on Market Liquidity

Top officials of Argentine President Javier Milei's government told executives from private banks that they will buy up new treasury notes if that action is needed in order to guarantee market liquidity, Bloomberg News reported July 1, citing people with direct knowledge of the matter. Economy Minister Luis Caputo and central bank head Santiago Bausili met with the bank executives in order to reassure them about a new framework that the government announced June 28, the sources told the

A key part of the plan will involve swapping out central bank notes for newly issued treasury notes.

news service. A key part of the new plan will provide for swapping out central bank notes for newly issued treasury notes, a change that is intended to bring down Argentina's triple-digit level of inflation by addressing one of the "faucets" of the printing of money, according to officials, Bloomberg News reported. The South American country's annual level of inflation is running at about 276 percent. A spokesman for the central bank said that more than 80 bank executives attended the meeting, the news service reported. The crawling peg of 2 percent per month and a different exchange rate for exporters will remain and that the central bank's board will discuss the change in technical details at their meeting on July 4, the sources told Bloomberg News. During the meeting with bank executives, which happened at the central bank's offices in Buenos Aires, Caputo and Bausili said the new short-term notes will be auctioned to banks so that they can replace central bank notes. Additionally, the central bank will issue new regulations that allow it to

purchase the notes in the secondary market at technical value, Bloomberg News reported. Additionally, the notes' floating coupon will be the new monetary policy rate, and the term has not yet been decided. [Editor's note: See related [Q&A](#) in the Nov. 15, 2023 issue of the Financial Services Advisor.]

ANTI-MONEY LAUNDERING NEWS

Panama Judge Acquits 28 People Linked to Scandals

A judge in Panama has acquitted 28 people who had been charged with money laundering in connection to the Panama Papers and Operation Car Wash scandals, Reuters reported June 28, citing a statement by the country's judicial branch. Judge Balois Marquinez ordered precautionary measures to be lifted against all 28 of the defendants and added that one criminal process was canceled because an unnamed defendant had died, the wire service reported. The judge said evidence collected from the servers of Mossack Fonseca did not follow rules related to the chain of custody, Reuters reported. Ramón Fonseca, the co-founder of now-defunct law firm Mossack Fonseca, which was at the center of the Panama Papers scandal, died in May. Among those acquitted was Mossack Fonseca's other co-founder, Jürgen Mossack, the Associated Press reported. The Panama Papers scandal came to light in 2016 when leaked confidential documents showed accounts in tax havens linked to people including powerful politicians in several countries. Marquinez also ordered fines of \$100 each for 10 witnesses who failed to comply with summonses, Reuters reported. In the case, prosecutors accused Fonseca, Mossack and other defendants of establishing offshore companies and using complex financial transactions to hide money from illegal activities, including ones related to the Car Wash corruption scandal in Brazil. The judge ruled that it could not be determined that illicit money entered Panama from Brazil with the

NEWS BRIEFS

Watchdog Adds Venezuela, Removes Jamaica From Money-Laundering List

The Financial Action Task Force international watchdog group has added Venezuela but removed Jamaica from its "gray list" of countries that it deems as not doing enough to fight money laundering and the financing of terrorism, The Wall Street Journal reported June 28. The Paris-headquartered intergovernmental organization made the decision during a meeting in Singapore. The body also added Monaco to the list and removed Turkey. The organization said it would work with Venezuela and Monaco to address shortcomings that it identified in their anti-money laundering procedures.

Morgan Stanley Increasing Investments in Latin America: Executive

Morgan Stanley is boosting its investments in Latin America as geopolitical conflicts continue in other parts of the world, John Moore, who heads the Latin America region for the multinational investment bank, told Bloomberg News in an interview. Morgan Stanley has "steadily increased" investments in Brazil, Mexico and other countries, said Moore.

Brazil To Shrink Current Account Deficit With Changes to Crypto Rules

The purchase of cryptocurrency assets will no longer be considered an import that impacts the trade balance in Brazil, a change that will contribute to a decrease in the country's account deficit as of next month, the central bank said June 24, Reuters reported. Crypto assets have been treated as goods since 2019, but now they will be a part of the capital account line. "There will be significant impacts," Renato Baldini, deputy head of the bank's statistics department, said of the revisions.

intent of helping to cover up crimes, Reuters reported. “We feel satisfied in the midst of mixed emotions, because many lives were affected along the way,” Guillermina McDonald, who was the defense attorney for Fonseca and Mossack, told the AP.

U.S. Sanctions People in Mexico, China for Alleged Laundering

The U.S. Treasury’s Office of Foreign Assets Control, or OFAC, on July 1 imposed sanctions on one person in Mexico and two based in China amid allegations that they laundered money for Mexico’s Sinaloa drug cartel. OFAC said in a statement that it was imposing the sanctions

“**Combating the threat posed by Money Laundering Organizations in China is a key priority of the Treasury Department...**”

—U.S. Treasury

on Mexico-based Diego Acosta Ovalle, whom it accuses of assisting the cartel “by hiding and collecting drug trafficking proceeds, before delivering them to associates of the cartel.” The sanctioned individuals based in China, Tpng Peiji and He Jiaxuan, are alleged members of a Chinese money laundering organization that has laundered illicit drug proceeds, according to OFAC’s statement. “In at least one instance, Tong Peiji traveled to Mexico to meet with Sinaloa Cartel members to obtain contracts to launder drug trafficking proceeds,” OFAC alleged. “Tong Peiji also arranged to purchase cryptocurrency that could be provided to Sinaloa Cartel accounts,” it added. OFAC said that the sanctions result from ongoing U.S. efforts, in cooperation with Mexico’s government, to disrupt fentanyl trafficking and save lives. “Combating the threat posed by money laundering organizations in China is a key priority of the Treasury Department, and today we are

FEATURED Q&A / Continued from page 1

emphied by recent overturned convictions in Brazilian criminal cases due to procedural errors—attention to legal nuances is paramount. Particularly, U.S. authorities must incorporate into cooperation agreements and joint initiatives lessons from past experiences and understanding the expectations of local judiciaries regarding cross-border legal cooperation. Also, given the United States’ more developed institutional and legal framework for combating cross-border scams, it should not only cooperate but also contribute to the development of technological local tools in Latin American and Caribbean countries to strengthen enforcement efforts.”

A Julia Yansura, program director for environmental crime and illicit finance at the FACT Coalition: “Many financial crimes,

including fraud and scams, are transnational in nature, and prosecuting them requires collaboration among law enforcement agencies in different countries. Of course, collaboration goes both ways. At the federal level, when it is the United States requesting collaboration or information from countries in Latin America and the Caribbean, the request is taken seriously, and the process generally goes well. However, when other countries request collaboration or information from the United States to build cases, the United States falls short, taking months or years to issue any response to their requests, even if it is merely a clarification or cursory confirmation of receipt. For example, a 2024 report by the Organization of the American States reviewing U.S. implementation of Article XVI of the Inter-American Convention against Corruption, noted that the U.S. Department of Justice’s Office of International Affairs is understaffed and has a backlog of 13,000 incoming information requests from other countries, including many countries in the Americas. Efforts to prosecute financial crimes in Latin America and the Caribbean face many challenges in

their own right—including resource constraints and technical capacity—but U.S. backlogs should not be another barrier. This is especially problematic given the outsized role that the United States plays in financial crimes regionally; many illicit actors seek to launder funds in the United States because of its geographical proximity, large economy, strong currency and historically weak anti-money laundering controls. To strengthen regional efforts against scams and other financial crimes, the United States should invest more resources in responding to information requests from its neighbors in the Western Hemisphere.”

A Phillip Leon Euell, of counsel at Diaz, Reus & Targ, LLP: “In early June, New York Attorney General Letitia James filed a lawsuit

against NovaTechFx and AWS Mining, alleging that these companies operated a \$1 billion pyramid scheme targeting immigrants, particularly from Haiti. While these schemes nominally involved cryptocurrencies, they were, at their core, generic fraudulent schemes exploiting the financial aspirations and trust of immigrant communities. The essence of these scams lies in their promises of extraordinary financial returns, a hallmark of traditional frauds dressed in the contemporary garb of cryptocurrency. Despite the technical veneer, the modus operandi remains the same: exploiting trust through religious and social networks to lure victims into parting with their money under false pretenses. Authorities play a crucial role in monitoring and prosecuting these schemes. Yet, the challenges of cross-border enforcement—complicated by differing legal frameworks and jurisdictional issues—highlight the need for individual vigilance. The defendants in this case, for instance, fled to Panama, underscoring the difficulties law enforcement faces in apprehending fraudsters operating internationally. Communities must amplify the message that outlandish promises of financial gain, regardless of the identity

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taking action to cut off the financial flows of major money launderers who are powering the trafficking of fentanyl and other illicit drugs to the United States,” Deputy Treasury Secretary Wally Adeyemo said in the statement. “Through our Counter-Fentanyl Strike Force, we will continue leveraging Treasury’s unique capabilities to disrupt the illicit fentanyl and drug trafficking trade that claims the lives of thousands of Americans each year,” Adeyemo added. The sanctions block all property and interests in property that the three individuals have in the United States, OFAC said. The office said that it coordinated the sanctions closely with Mexico’s government, including its Financial Intelligence Unit, or UIF. It added that the action “reflects the close partnership between our countries in disrupting funding that underpins the flow of fentanyl and its precursors into the United States.” The statement added that U.S. and Chinese authorities are working together to target illicit financing networks, including ones linked to the trade in fentanyl. It also said that Treasury Secretary Janet Yellen underscored cooperation with China during her trip to Beijing in April and that she raised the issue of illicit fentanyl during meetings with Mexican officials in Mexico City last December.

POLITICAL NEWS

Mulino Takes Office in Panama, Vows Action on Migration

José Raúl Mulino was sworn in July 1 as president of Panama and vowed in his inaugural address to halt illegal immigration through the lawless Darién Gap, which separates the Panama from Colombia, the Associated Press reported. “I won’t allow Panama to be an open path for thousands of people who enter our country illegally, supported by an international organization related to drug trafficking and human trafficking,” Mulino said after being sworn in, the AP reported. “I understand that there are deep-rooted reasons for migration, but each country has to resolve its problems,” he added.

ADVISOR Q&A

How Well Is the USMCA Protecting Workers’ Rights?

Q Mexico’s labor and economy ministries accepted a request on June 11 from the Office of the U.S. Trade Representative to investigate alleged violations of workers’ rights at a Volkswagen car manufacturing plant in Puebla. The request was made under the United States-Mexico-Canada Agreement, or USMCA, following a petition from workers alleging they were being denied the right to unionize. How well is the USMCA working with regard to labor rights? Are the United States and Mexico cooperating well on labor disputes and compliance with the labor standards of the USMCA? How well will Mexico’s incoming president, Claudia Sheinbaum, be able to work with the United States on labor issues?

A Carlos Ferran Martínez Carrillo, managing partner, and Zaret Valencia Martínez, associate, at Ferran Martínez Abogados in Mexico City: “The USMCA has proven effective in protecting labor rights in North America. The treaty’s Rapid Response Labor Mechanism has addressed 23 cases, benefiting nearly 30,000 workers and securing more than \$5 million in retroactive payments and benefits, with 17 cases resolved through remediation plans. This indicates the mechanism’s success in resolving conflicts and improving working conditions. Cooperation between the United States and Mexico in

resolving labor disputes has been effective. Both nations have shown a commitment to investigating and remedying labor rights violations, as demonstrated by the reviews of the Volkswagen plant in Puebla and the Goodyear case in San Luis Potosí. The precedent set by the San Martín mine case in Zacatecas, establishing no retroactivity in the USMCA’s application, is significant. This ruling ensures claims of labor rights violations are considered only if they occurred post-treaty and post-2019 labor reform, thus protecting Mexico’s sovereignty and ensuring fair use of the Rapid Response Labor Mechanism. Incoming President Claudia Sheinbaum has the potential to strengthen this cooperation. Her administration can continue to effectively implement labor legislation and the USMCA’s provisions. Sheinbaum’s political history suggests that she values international cooperation and improved working conditions. Maintaining a collaborative relationship with the United States will be crucial for advancing worker rights and resolving labor disputes under the USMCA. Her leadership can consolidate achievements and promote a fairer work environment in the region.”

EDITOR’S NOTE: More commentary on this topic appears in the July 1 issue of the daily Latin America Advisor.

More than half a million people crossed the Darién Gap last year, and more than 190,000 have made the crossing so far this year, most of them coming from Venezuela, Ecuador, Colombia and China, the AP reported. After emerging from the jungle area, most migrants take buses from Panama toward the United States, the Financial Times reported. Shortly

after Mulino took office, Panama’s government announced that U.S. Homeland Security Secretary Alejandro Mayorkas had signed an agreement on July 1 with Panamanian Foreign Affairs Minister Javier Martínez-Acha, in which the United States committed to paying for the repatriation of migrants who enter Panama illegally through the gap, the AP reported.

NEWS BRIEFS

Bolivian General Accused of Failed Coup Sent to Maximum-Security Prison

General Juan José Zúñiga, who on June 26 appeared to attempt a coup in Bolivia when he led military personnel in an apparent assault on the presidential palace, was transferred June 29 to a maximum-security prison, the Associated Press reported. Zúñiga is facing charges of terrorism and leading an armed uprising. As law enforcement led Zúñiga away, he claimed, without providing evidence, that President Luis Arce had ordered the operation. "At some point, the truth will be known," Zúñiga told reporters June 29 as he was transferred into a vehicle headed for the Chonchocoro prison outside La Paz, the AP reported.

Panama Canal Officials Says Larger Ships Can Now Pass Following Rains

The Panama Canal authority announced on June 26 that, following recent rains, water levels have been boosted and heavier ships with larger cargo loads are once again able to pass through the canal's Neopanamax locks, Reuters reported. The maximum ship depth will now be set to 47 feet and will deepen to 48 feet as of July 11, the canal authority said in an advisory to clients. The changes should offer more flexibility for shippers who have been forced to find alternative options because of restrictions brought on by drought in the canal.

Brazil Sets New Continuous Inflation Target of 3 Percent

Brazilian President Luiz Inácio Lula da Silva on June 26 signed a decree that sets a new inflation target of 3 percent, with a tolerance range of 1.5 percentage points, Reuters reported. Lula has criticized recent inflation targets as being too low and driving unnecessarily restrictive monetary policy.

Venezuela to Restart Talks With United States: Maduro

Venezuelan President Nicolás Maduro announced July 1 that his government will restart talks with the United States, Reuters reported. "After thinking about it, I have accepted and next Wednesday the talks will restart with the United States government to comply with the agreements signed in Qatar and to reestablish the terms of the dialogue with respect," Maduro said in televised remarks that came just weeks before the South American country's presidential election. Late last year, the United States and Venezuela agreed to a prisoner exchange after months of negotiations that Qatar mediated. Talks between the two governments began two years ago, but relations became more frayed after Venezuela cracked down on the opposition and the United States reimposed oil sanctions that it had previously relaxed.

Mexico's Sheinbaum Names Cabinet Picks, Including for Energy

Mexican President-elect Claudia Sheinbaum announced several new cabinet appointments on June 27, drawing experts from various fields to fill out key roles in her incoming administration, the Associated Press reported. Among the new picks are Luz Elena González, a sustainable development expert whom Sheinbaum, herself a client scientist, appointed to be the country's next energy secretary. González also previously managed the finances of Mexico City. For secretary of public administration, Sheinbaum appointed Raquel Buenrostro, a public servant Sheinbaum described as an "incorruptible woman," who has served for more than 20 years in tax and economic agencies, the AP reported. Head of the department of communications and transportation will be Antonio Esteva Medina, who is currently secretary of infrastructure of Mexico City, and the new secretary of health will be David Ker-

shenobich, a notable researcher. The secretary of agrarian, territorial and urban development will be Edna Elena Vega Rangel, who also has experience in the Mexico City government. Rogelio Ramírez de la O, who has served as finance minister under current President Andrés Manuel López Obrador, will stay on and serve the incoming president in the same role. Last week, Sheinbaum announced several other appointments, including Marcelo Ebrard, who was Sheinbaum's main competition for the presidential nomination last year and who was chosen as economy minister, the Financial Times reported.

ECONOMIC NEWS

Argentine Congress Approves Milei's Economic Reforms

Lawmakers in Argentina's lower house on June 28 approved two of President Javier Milei's economic reforms that comprise a part of his so-called omnibus bill and accompanying fiscal package, Reuters reported. Both were approved by the Chamber of Deputies in April before narrowly making their way through the Senate



Milei // File Photo: Argentine Government.

earlier in June, despite significant overhaul, Bloomberg News reported. The reforms are designed to reduce the role of the state while also granting Milei emergency executive powers. The reforms remove employee protection barriers by making it easier for employers to fire workers without fear of lawsuits, while another measure offers tax breaks and ground rules for foreign investments in key sectors.

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of those making the claims, should always be viewed with skepticism. Education and awareness are paramount. Individuals need to be wary of too-good-to-be-true investment opportunities and should seek credible financial advice before committing their money. While regulatory measures and law enforcement are vital, community education and individual vigilance are equally crucial in combating these pervasive fraudulent schemes. As fraudulent actors continually adapt their methods, the strategies to protect and inform potential victims also must change."

A **Andrew W. Balthazor, associate at Holland & Knight:** "The borderless nature of cryptocurrency transactions makes them an attractive vehicle for fraud. Authorities combat illegal use of crypto by targeting financial on- and off-ramps: places where people exchange digital assets for fiat currency, or vice versa. Unfortunately, jurisdictions do not have a uniform patchwork of regulations and laws governing crypto exchanges. Not all jurisdictions have strict know-your-customer or anti-money laundering requirements or, if they do, they may not be effectively enforced. Indeed, with regard to the volatile and potentially lucrative digital

asset services industry, there has been a 'race to the bottom' among certain jurisdictions that seek to attract this innovative industry by offering a lighter regulatory touch. This leads to jurisdictional arbitrage—seeking out jurisdictions with lax crypto laws—by both criminals and certain virtual asset service providers who want to avoid the types of anti-money laundering procedures common in the conventional financial system. Virtual asset service providers are particularly suited to taking advantage of this phenomenon, because their operations are not tied to physical infrastructure. The differences in crypto regulation are slowly changing, though, and more jurisdictions are passing laws seeking to regularize the digital asset industry. The largest exchange in the world, Binance, pleaded guilty to, among other things, failing to implement an anti-money laundering system. Until there is uniformity among jurisdictions, however, the borderless feature of digital assets will continue to pose challenges to authorities seeking to prevent crypto scams and money laundering."

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

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