



Federal Reserve Bank of Atlanta

2011

Americas Center
Annual Review



A NOTE FROM VICE PRESIDENT TODD GREENE

In recent years, Latin America has undergone an economic resurgence. The region's economies fared relatively well during the recent global economic crisis, and the region has enjoyed a period of increasing prosperity as concerns about risks in the global economy have focused on Europe and the United States.

As Latin America's economies have grown in recent years, so have their ties to the Sixth Federal Reserve District. The Atlanta Fed's Country Risk and Foreign Banking Organization (FBO) Analysis Unit is actively engaged with regulatory and

banking sector counterparts in the region as part of its supervisory and outreach responsibilities. FedGlobal® ACH Payments delivers a range of low-cost and efficient cross-border payments, the Miami Branch provides cash services to 33 countries in Latin America and the Caribbean, and economists in the Atlanta Fed's Research Department are in contact with colleagues at central banks throughout the hemisphere as they develop new analytical and forecasting tools.

We have much to learn from the region as it faces the challenges of further economic and financial-sector development. I experienced this firsthand in 2011 when I visited the region and engaged with my counterparts in Lima and São Paulo to learn about microenterprise in Latin America. Indeed, the advances in the region's burgeoning microenterprise sector provide many lessons for the United States.

This past year was a successful one for the Americas Center. We share some of the high points of the center's outreach and other initiatives in this *Annual Review*. We held a successful consumer banking

conference in Miami, "Strengthening the Financial Safety Net in Emerging Economies," and we cohosted with the University of Miami's Center for Hemispheric Policy and the World Affairs Council a policy roundtable, moderated by Atlanta Fed President and CEO Dennis Lockhart, on Latin America's economic challenges. A major highlight of 2011 was President Lockhart's visit to Santiago, Chile, and São Paulo, Brazil, where he met with central bank colleagues, bankers, regulators, and students. I invite you to read on (and check out our website) for more details of the year's accomplishments.

As we look ahead to 2012, the Americas Center will be involved in a range of initiatives that are closely aligned with our mission to support the Federal Reserve Bank of Atlanta's responsibilities in key supervisory, financial, and economic matters related to the Americas. We welcome your input on initiatives and invite you to contact us with your thoughts, ideas, and proposals for programs. ■

Our mission: To provide leadership to fulfill the Bank's responsibilities in key supervisory, financial, and economic matters related to the Americas by fostering effective cross-functional collaboration and communication among Bank, System, public and private sector stakeholders.

THE CENTER'S PURPOSE

The Americas Center, launched in 2005, is a cooperative initiative among the Federal Reserve System's Retail Payments Office, based in Atlanta, and the Atlanta Fed's Supervision and Regulation, Research, and Operations and Administrative Services departments. The center provides a framework for collaboration among bank staff whose responsibilities relate to the Americas. This collaboration enables the Bank to make the best use of its strengths and integrate its resources to serve internal and external constituencies through a wide variety of initiatives. These initiatives include sponsoring policy conferences, analyzing key regional banking and economic trends in the area, participating in exchange programs, providing technical assistance, and conducting public outreach and educational activities.

HIGHLIGHTS 2011

This *Annual Review* highlights the Americas Center's most significant projects, products, programs, and initiatives in 2011. These highlights reflect the accomplishments of committed staff from throughout our organization, often in partnership with colleagues from other institutions. We invite you to visit our website to learn more and to sign up to receive e-mail notices from the Americas Center.

Providing a leadership role in payments and facilitating *bancarización* for underserved consumers

FedGlobal ACH sponsored a number of outreach efforts throughout the year. These efforts promoted awareness of the potential of the remittance market for financial institutions and to coordinate efforts among our partners, including the FDIC and U.S. Department of

the Treasury, to support underserved consumer markets with services such as **Directo a México**. Among the many notable promotional events was the official opening of the corridor between Kansas City and the town of Tangancicuaro, Mexico, during the Kansas City Fed's Financial Literacy Week in April.

FedGlobal ACH also participated in a celebration of the opening of the Directo a México account-to-receiver service with the Latino Community Credit Union and the Mexican Consulate in Raleigh, North Carolina. This celebration was scheduled to coincide with promotional events for the new service in the Mexican cities of Guanajuato, Hidalgo, and San Luis Potosí. In November, FedGlobal ACH participated in another promotional event for the account-to-receiver service at Family Federal Credit Union in Los Angeles. This event was attended by more than 300 people, including U.S. Representative Janice Hahn and California State Senator Ted Lieu, who presented awards to the Family Federal Credit Union for working with underserved communities through Directo a México.

At the regional Payments Week (“Semana de Pagos”) meeting in Paraguay, FedGlobal ACH took a leadership role in supporting the Western Hemisphere Payments Initiative’s goal of establishing a regional payments hub. The hub will link all of the payments systems in the Americas.

Broadening and deepening access to consumer banking products and services, financial education, and community outreach programs

Last May, more than 100 local and international participants attended the Americas Center’s third Consumer Banking Conference, “Strengthening the Financial Safety Net in Emerging Markets,” at Miami’s Florida International University. Panelists representing several financial institutions and organizations in the region and the United States discussed strategies for developing banking products and services to meet community needs. They also examined how the provision of responsive and responsible financial services contributes to the growth and stability of communities and looked at the role of mobile payments





in the evolution of financial services and money management in emerging markets. The keynote speaker was Ambassador Charles Shapiro of the U.S. State Department, who spoke about economic inclusion in the Western Hemisphere. The conference agenda and presentations are available on the Atlanta Fed's website.

In June, Regional Community Development Director Ana Cruz-Taura gave a presentation on remittances as a financial inclusion tool at the Latin American SWIFT User Community Conference (ELUS 2011) in the Dominican Republic. She provided an overview of the Federal Reserve System's FedGlobal ACH product and highlighted the important role of

OUTREACH TO LATIN AMERICA

An Atlanta Fed delegation led by President Dennis Lockhart visited Chile and Brazil in November. In Santiago, the Atlanta Fed representatives attended the Chilean central bank's annual monetary policy conference, "Capital Mobility and Monetary Policy." The conference was organized by Carmen Reinhart of the Peterson Institute for International Economics and Miguel Fuentes of the Central Bank of Chile. President Lockhart also met with representatives of Chile's financial sector at an event hosted by the Chilean Banking Association (Asociación de Bancos e Instituciones Financieras) and attended a meeting with

several officials of the Chile's Banking Superintendency (Superintendencia de Bancos e Instituciones Financieras). In São Paulo, the group met with Brazil's central bank governor Alexandre Tombini as well as several deputy governors and senior supervisory officials. They discussed monetary policy, payments, and supervisory challenges in the hemisphere.

President Lockhart also delivered a speech to students and faculty at the Fundação Getulio Vargas School of Economics and participated in a roundtable breakfast meeting sponsored by FEBRABAN, the Brazilian Bankers Association,

which was well-attended by senior economists from Brazilian banks.

The trip provided multiple opportunities to gather information about economic and banking sector developments in the region and to exchange views with central bank and bank superintendency/banking association colleagues on monetary policy research, bank supervision, and payments. It was also an opportunity for outreach—President Lockhart had an opportunity to speak with faculty and students, and his speech in São Paulo was covered by the media. ■

financial education in expanding access to banking for individuals and providing financial stability for communities.

In 2011, the Community and Economic Development team continued its small business initiative, which seeks to identify barriers to entrepreneurship and challenges in financing small business growth and expansion. Small business is an important catalyst for economic vitality, particularly in immigrant and minority neighborhoods, as well as a principal source of new jobs.

At a community forum in Davie, FL, “The Immigrant and Minority Business Landscape,” participants discussed the role of small business in South Florida’s economic growth and recovery. Leaders in regional business development, education, entrepreneurship, and finance discussed barriers and opportunities that are unique to immigrant and minority businesses. Though cultural barriers are often assumed to impede the assimilation of immigrants into business ownership, English language proficiency and basic business management capacity were cited as the principal challenges to foreigners trying to establish and grow a small business.

In November, at the Association of Public Policy Analysis and Management (APPAM) Conference in Washington, DC, Myriam Quispe-Agnoli gave a presentation titled “Minority-Owned Small Business: Results from the Survey of Business Owners.” Coauthored with Cruz-Taura, the paper analyzes the performance of minority-owned small businesses between 2002 and 2007 in the United States.

Developing effective U.S. and region-wide consolidated supervision best practices

During 2011, the Country Risk and FBO Analysis Unit conducted FBO visits to Brazil, Chile, Colombia, Ecuador, Peru, and Spain. Beyond executing the FBO program responsibilities, these visits also served very useful outreach purposes. For instance, Atlanta Fed staff participated in the Florida International Bankers Association’s (FIBA) first international forum held in Madrid, Spain, in May. The purpose of the forum, titled “Spain-Florida International





Forum on Cross Border Banking and Regulatory Issues,” was to enhance communications and coordination between Spain’s regulators and business/banking communities and those in the United States. Atlanta Fed Assistant Vice President Carolyn Healy spoke at the event on regulatory reforms currently taking place in the United States.

Additionally, Atlanta Fed staff worked closely with the Board of Governors by frequently serving as bilingual instructors on foreign technical assistance (FTA) missions for classes held in the United States and abroad, and attended by foreign regulators. FTA activities throughout the year included classes conducted in Aruba, Brazil, Barbados, Costa Rica, Colombia, Mexico, Peru, Turkey, the Philippines, and Russia, as well as in several international schools in Washington, DC.

Fed representatives also spoke at the Financial Action Task Force of South America meeting in Lima, Peru, and participated in anti-money laundering conferences in Medellin

ROUNDTABLE ON LATIN AMERICA GROWTH

On October 19, the Atlanta Fed held a roundtable called “Transforming Opportunities into Realities: Achieving Latin America’s Growth Potential.” The event was cosponsored with the University of Miami’s Center for Hemispheric Policy and in association with the World Affairs Council. President Lockhart moderated the discussion, and the distinguished panelists included Dr. Kirk Bowman (Georgia Tech), Dr. Jeffrey Frieden (Harvard), Dr. Susan Kaufman

Purcell (University of Miami), and Dr. John Welch (CIBC World Markets). The panelists discussed current trends in the region and its prospects for economic growth.

John Welch observed that countries in the region have had to manage abundance, and that economic booms reduce incentives to undertake needed reforms. Jeffrey Frieden discussed the range of potential political and economic consequences of debt deleveraging in the United States and

Europe, which he suggests could include heightened political conflict and austerity measures, protectionism, and shifting patterns of global trade. Kirk Bowman analyzed Brazil’s preparation for the Olympics and World Cup and discussed the government’s key challenges. Susan Kaufman Purcell noted that despite significant progress, Latin American countries still need to focus on regulatory reform and reduce levels of poverty and corruption. ■

and Cartagena, Colombia. Staff also conducted web-based courses for members of FIBA on trade finance.

Building a better understanding of economic and financial dynamics in the Americas

The second-quarter 2011 edition of *EconSouth* features an article on growing trade ties between China and Latin America. The authors found that the trade relationship between China and Latin America is complex, and the costs and benefits vary considerably among the countries of the region. Complementing the article is a podcast interview with Georgia Institute of Technology Professor Dan Breznitz, who describes the impact and influence of China's innovation strategies.

On December 2, the Americas Center hosted the fifth annual Southeastern International Development/Economics Workshop. This meeting has grown from a small Atlanta-area workshop to a conference that draws national and international interest. The nine presenters at the conference covered a range of topics related to economic development. Presentations are available on the Atlanta Fed website.

Throughout the year, Atlanta Fed economists developed new research on topics related to the Americas, including immigration, remittances, and pensions. Myriam Quispe-Agnoli presented her research in a presentation titled "The Economic Impact of Undocumented Workers in the U.S. Labor Market" at the Pontifical Catholic University of Peru, and "Undocumented Workers and the U.S. Business Cycles" at the Central Bank of Peru. Federico Mandelman published "Business Cycles and the Role of Imperfect Competition in the Banking System" in *International Finance* and coauthored "Investment-Specific Technology Shocks and International Business Cycles: An Empirical Assessment" in *Review of Economic Dynamics*. Stephen Kay coauthored "Next Generation of Individual Account Pension Reforms," which was published in *Social Security Bulletin*. Many of these publications are available on the Atlanta Fed website.



SIXTH DISTRICT CASH OPERATIONS

The Miami Branch of the Federal Reserve Bank of Atlanta serves as one of the two primary Fed offices that help satisfy global demand for the U.S.-dollar currency notes and coin. As a gateway to the Americas, Miami provides cash services to 33 countries in Latin America and the Caribbean, making dollar payments to and accepting dollar deposits from financial institutions

throughout the region, including several central banks. International cash services contribute 48 percent of Miami's total cash volume and about 18 percent of the total Sixth District volume.

The value of U.S. currency payments to international endpoints in 2011 increased by 35 percent over 2010, driven largely by high demand in Argentina and Peru as a

result of the 2011 presidential elections in these countries. In contrast, currency deposits to the Miami Branch declined by 4 percent from the previous year, continuing a trend that illustrates the impact of reduced remittance flows into Latin America as a result of the United States' economic slowdown and the global financial crisis. ■

Americas Center Dissertation Internship

Each year, the Americas Center invites doctoral candidates who are writing dissertations in the field of economics on topics that have a direct link to Latin America and the Caribbean to apply for the Americas Center summer dissertation internship. The students are expected to make significant progress on their dissertation during their eight-week tenure at the Bank. They are asked to make two formal presentations of their research and to be available for consultation with staff from the Research Department and other areas of the Bank. The dissertation intern for 2011 was Jungjae Park of the University of Wisconsin, whose dissertation analyzes sovereign risk. While in residence at the Atlanta Fed, he worked on a quantitative model of endogenous sovereign default to explain empirical regularities. ■



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