

A Note from the First Vice President

Launched in 2005, the Americas Center of the Federal Reserve Bank of Atlanta was established to better coordinate the activities of the bank's Supervision and Regulation, Research, and Financial Services Divisions as they relate to the Americas. This collaboration enables the Atlanta Fed to direct its outreach within the financial, regulatory, and research communities and to our constituency in the Americas and to promote these efforts in regional, national, and international forums.



Despite its relatively short history, the Americas Center was recognized as one of five areas of “distinguished historical strength” that are regarded as high-priority activities in the Sixth Federal Reserve District’s 2008–2012 strategic plan. This recognition is an acknowledgment of not only the center’s accomplishments to date but also its ongoing importance to the Atlanta Fed’s central missions.

During 2008 the Americas Center tackled an array of ambitious projects. The center supported expanded research on key economic and policy challenges through conferences on remittances and the macroeconomy, the changing landscape of wealth management in the hemisphere, and international economic development. Americas Center staff shared their expertise in a range of foreign technical assistance programs and worked with colleagues throughout the region to improve payment systems in the hemisphere. The center’s Web page added new trilingual content, including new research papers, publications, resource links, and podcasts.

The Americas Center’s accomplishments in 2008 added value to the Atlanta Fed’s initiatives and helped us better serve our constituents. We hope you will find this Americas Center annual review an informative overview of our past year and a commitment to broaden our outreach.

Patrick K. Barron

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The Center's Purpose

The Americas Center is a cooperative initiative among the Supervision and Regulation, Research, and Financial Services Divisions of the Atlanta Fed and the Federal Reserve System's Retail Payments Office. The center provides a framework for collaboration among bank staff whose responsibilities relate to the Americas and thus enables the bank to more efficiently leverage its strengths and integrate its resources to serve internal and external constituencies through a wide variety of initiatives. These initiatives include sponsorship of policy conferences, analysis of key regional banking and economic trends in the area, exchange programs, technical assistance, and public outreach and educational activities.

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, and public- and private-sector stakeholders.

—Americas Center Strategic Plan

Milestones

Although an annual review cannot capture all of our activities throughout the past year, it highlights our most significant projects, products, programs, and initiatives in 2008. These achievements demonstrate the cooperation by committed people from throughout our organization, often partnering with colleagues from a number of other institutions.

We are pleased to provide a review of the major accomplishments during the Americas Center's fourth year. Highlights in 2008 include hosting conferences, presenting research advances at numerous forums in the region, and improving our Web site.

Products, Projects, and Programs

A new Americas Center advisory council was formed in June to provide input to bank staff on program and planning ideas and to help guide the Americas Center's development over



time. The six advisers, selected by the steering committee and liaisons based on their accomplishments and expertise in areas of interest to the Americas Center, are Catalina Amuedo-Dorantes, San Diego State University; Eduardo Cavallo, the Inter-American Development Bank research department and a former Americas Center dissertation intern; Kenneth Coates, director-general of the Centre for Latin American Monetary Studies (CEMLA); Martin Eichenbaum, Northwestern University; Jeffrey Frieden, Harvard University; and Susan Kaufman Purcell, director of the Center for Hemispheric Studies at the University of Miami.

In October the Americas Center held its first annual bankwide planning meeting for all interested staff. Atlanta Fed President Dennis Lockhart opened the meeting by sharing his views on the America Center's role at the bank. In a brainstorming session, participants shared their vision for the center and discussed a range of programming and communication ideas.

Two key conferences focused on two issues—remittances and wealth management—of particular interest to Americas Center constituents in the current economy. (See the sidebars on pages 4 and 7.)

The Americas Center and the Inter-American Development Bank cohosted a panel on immigration and remittances at the Latin American and Caribbean Economics Association annual meeting in Rio de Janeiro in November. Federico Mandelman presented “Remittances, Exchange Rate Regimes, and the Dutch Disease: A Panel Data Analysis.”



The Americas Center hosted “Emerging Markets in a Time of Global Uncertainty” at the Miami Branch in December. The breakfast event for the local business community was cosponsored with the University of Miami’s Center for Hemispheric Policy. The university center’s director, Susan Kaufman Purcell, was the moderator, and the featured speakers were Emilio Lamar, Columbus Advisors; Dorothy Sobol, Johns Hopkins University; and Stephen Kay, Americas Center coordinator, who shared their perspectives on the current global crisis.

Remittances and the Macroeconomy

Developing countries received an estimated at \$240 billion in remittances in 2007—an increase of more than 130 percent since 2001. In developing countries, remittances make up about 2 percent of total income and have become increasingly important as a source of foreign income in terms of both magnitude and growth.

Given the importance of this source of capital, the Federal Reserve Bank of Atlanta hosted the two-day conference “Remittances and the Macroeconomy” in February. The conference provided a forum for leading researchers to present their work, compare notes, and network on this emerging topic. Highlights from the conference included Federico Mandelman’s coauthored paper “Remittances, Exchange Rate Regimes, and the Dutch Disease: A Panel Data Analysis” and Julie Hotchkiss and Myriam Quispe-Agnoli’s paper “The Labor Market Experience and Impact of Undocumented Workers.” All of the conference papers and presentations are now available on the Americas Center Web page at frbatlanta.org under “Economic Research & Data.”

The Americas Center and the Stetson School of Business and Economics at Mercer University hosted the Second Georgia International/Development Economics Workshop at the Atlanta Fed in December. The papers presented, exploring the economic challenges of developing countries, included “Employer Monopsony Power in the Labor Market for Undocumented Workers,” by conference organizer Myriam Quispe-Agnoli and Julie Hotchkiss, and “Monetary Announcements as an Inflation Stabilization Tool in Latin America and the Caribbean,” by Atlanta Fed research department interns Nicole Baerg and Gustavo Canavire.

The Americas Center Web site, featuring research, publications, conferences, and resource links, received nearly 30,000 page views in 2008. Original Atlanta Fed articles translated into Spanish and Portuguese accounted for 18,000 of those page views.

The book *Lessons from Pension Reform in the Americas* (Oxford University Press, 2008), coedited by Americas Center Coordinator Stephen Kay and including papers presented at a 2006 Atlanta Fed conference, has been widely cited and has received favorable press coverage. An abridged version of the book’s introductory chapter was published in *Benefits Quarterly*. The book is now in the collections of more than 120 research libraries worldwide.

Stephen Kay made presentations on Chile’s pension reform at a Columbia University conference in February on “Lessons from Chile,” sponsored by Columbia’s Quantitative Methods in the Social Sciences Program, and at the University of Massachusetts at Boston’s Gerontology Institute in November.

A greater share of undocumented workers in an industry has a statistically significant negative impact on the wages of documented workers. The practical impact, however, is small, given the size of the undocumented workforce.

—Julie Hotchkiss and Myriam Quispe-Agnoli

“The Labor Market Experience and Impact of Undocumented Workers”

The working paper “Undocumented Worker Employment and Firm Survivability,” by J. David Brown, Julie Hotchkiss, and Myriam Quispe-Agnoli, investigated the incidence of undocumented worker employment across firms and how it affects firm survival. The study concluded that firms are found to engage in herding behavior, being more likely to employ undocumented workers if competitors do.

Two papers from an Atlanta Fed–Inter-American Development Bank conference in 2003 on structural reform are being republished in *International Political Economy* (Wadsworth Press, 5th edition), a collection of topical scholarly articles geared toward college students.

The articles are “Reform Fatigue: Symptoms, Reasons, and Implications,” coauthored by Atlanta Fed economist Myriam Quispe-Agnoli, and “Financial Globalization: Pain and Gain for Developing Countries,” by Sergio Schmukler of the World Bank. The book is coedited by Americas Center Advisory Council member Jeffrey Frieden of Harvard University, who participated as a panelist at the conference.

The paper “A Revolution in Consumer Banking: Developments in Consumer Banking in Latin America,” by Teresita Obermann, a senior Supervision and Regulation analyst at the Atlanta Fed’s Miami Branch, was published in June as part of an edited volume on consumer banking by Amicus Books, an imprint of ICAFI (Institute of Chartered Financial Analysts of India) University Press. ICAFI publishes magazines, journals, and reference books for students, research scholars, academicians, and corporate executives.

The Americas Center hosted Andrei Zlate, a Ph.D. candidate from Boston College, as its fourth annual graduate student dissertation intern. He spent eight weeks at the bank doing research, consulting with bank staff, and working on his dissertation, “Onshore Production and Business Cycle Dynamics with Heterogeneous Firms.”



Outreach Initiatives

In August the bank hosted a reception for the participants in the Americas Competitiveness Forum, an international meeting sponsored by the U.S. Department of Commerce, the City of Atlanta, and CIFAL Atlanta. Commerce Secretary Carlos Gutierrez attended the reception, as did ambassadors, ministers, government officials, and business leaders from throughout the hemisphere. Atlanta Fed Research Director David Altig welcomed the guests and spoke about the structure and functions of the Atlanta Fed, and Hartsfield-Jackson Atlanta International Airport General Manager Ben DeCosta spoke about the airport’s key role in the region’s economy.

The bank posted its first Spanish-language podcast, “El Impacto de los Trabajadores Indocumentados.” In the interview, Myriam Quispe-Agnoli, an Atlanta Fed economist, spoke about her research with Julie Hotchkiss on undocumented workers’ impact on the labor market.

New Horizons: Wealth Management and the Changing Global Landscape

In light of heightened global economic uncertainty, asset management has become more competitive and risky. As financial institutions work to gain business in this arena, they must determine whether their risk management procedures and human capital are sufficiently advanced to handle the rapidly changing competitive landscape and delivery platforms.

In October the Supervision and Regulation policy and supervisory studies group hosted the Americas Center conference “New Horizons: Wealth Management and the Changing Global Landscape.” The conference featured panels on the economic outlook, the changing business landscape, emerging technologies, and private banking and the family office. Keynote speaker Brad Setser, of the Council on Foreign Relations, discussed the crisis in emerging markets.

Participants examined the evolution of wealth management services, assessing how banks, brokerage houses, and boutique investment managers have adapted their business models to keep pace with the changing competitive landscape. Financial organizations globally, regionally, and locally are increasingly converging in delivering products and services.

Panelists also discussed dynamic wealth management business models, key technology innovations, emerging investment solutions, and the challenges to managing risk. One panel focused on how the lines between the traditional private-banking and family-office lines of business are becoming increasingly blurred as both international and domestic wealth managers are offering larger and more complex suites of products and services to their sophisticated and affluent clientele. Another panel examined the role of technology, which has been a major driver in wealth management business models and has leveled the playing field for smaller players such as community bank trust departments.

The conference concluded with a discussion of noteworthy global and domestic technology initiatives that are accelerating clearing and settlement operations, facilitating the flow of investments and expanding access to capital markets.

Atlanta Fed Economist Julie Hotchkiss testified before the U.S. Human Rights Commission in an April hearing, broadcast on C-Span, on the economic impact of undocumented immigrants in the United States. She presented data from her research with Myriam Quispe-Agnoli on the economic impact of undocumented workers in Georgia.

Supervision and Regulation staff members contributed expertise and participated in fifteen foreign technical assistance training programs in Washington, D.C., several Latin American

and Caribbean countries, and Egypt, China, Thailand, Morocco, Turkey, and Australia. The programs focused on topics such as anti-money laundering, risk management and internal controls, operations risk, credit risk, and bank analysis.

As a part of the bank's responsibility to understand the home country environments in which foreign banking organizations (FBOs) in the Sixth Federal Reserve District operate, the bank's FBO analysis team visited six countries in 2008—Brazil, Colombia, Costa Rica, Ecuador, Peru, and Spain. During these visits, FBO team staff met with banking superintendents, central bank representatives, senior management of foreign banks with a presence in the Sixth District, and other officials in the fields of banking and finance in these countries. These meetings, an integral part of the Federal Reserve System's FBO supervision program, have become important in building closer working relationships with supervisors and bankers in the region and in making the Atlanta Fed a knowledge center for the Reserve System on Latin American banking trends.

Supervision and Regulation staff members George Holguin and Scott Smith taught a Bank Analysis and Examination School (BAES) in Lima, Peru, in March. BAES addresses the skills and knowledge needed by all examination specialties. Using the case study approach, the course recognizes the underlying principles of risk management and integrated supervision and encourages development of analytical and critical thinking skills. The school was sponsored by the Association of Supervisors of Banks of the Americas and was attended by thirty-seven bank examiners representing Peru, Uruguay, Nicaragua, the Dominican Republic, Bolivia, Honduras, Panama, and El Salvador.

In October the Americas Center hosted Giovanna Priale from Peru's Superintendency of Banking, Insurance, and Private Pension Firms. She visited the Atlanta Fed for a week, meeting with employees throughout the bank to learn about bank programs related to financial literacy and transparency in financial markets and discuss the superintendency's interest in community affairs programs, including financial and economic education.

Members of the bank's international supervision group participated in the third United States–Latin America Private Sector Dialogue on Anti-Money Laundering and Combating the Financing of Terrorism in São Paulo in September. The conference was organized by the Brazilian Federation of Banks, with support from the U.S. Department of the Treasury.

Atlanta Fed community affairs staff spoke about Federal Reserve financial education initiatives at a forum hosted by the Mexican consulate in Miami and the Institute for Mexicans Abroad in Miami in September. Topics included the importance of financial education as a base for wealth building and community sustainability. Education and outreach efforts in both the United States and Mexico are aimed at helping previously unbanked individuals to enter the mainstream banking system, reducing their dependence on overpriced or predatory financial services.

The Atlanta Fed's Miami Branch hosted a luncheon for the Cuban American Bankers Association in September. A community affairs staff member spoke to the group about conditions and consumer concerns affecting the real estate market in south Florida and about Federal Reserve System efforts to educate and inform homeowners facing the possibility of foreclosure about alternatives.

Throughout the year, Miami Branch staff met with officials from private banks and the central banks of Aruba, the Bahamas, Bolivia, El Salvador, and Panama to discuss currency- and coin-related issues. Additionally, Miami and New Orleans cash staff attended the Banknote Conference in Washington, D.C., in April and the Currency Conference in Prague, Czechoslovakia, in October.

During the year the Miami Branch handled U.S. currency for more than thirty countries in Latin America and the Caribbean. Over half of the currency processed by the Miami Branch comes from outside the United States.

In February the bank hosted a reception and dinner for the 120 participants of the Carter Center's International Conference on the Right to Public Information. At the dinner Atlanta Fed President Dennis Lockhart introduced President Jimmy Carter, who then introduced the keynote speaker, South African Constitutional Court Justice Albie Sachs. Sachs spoke about the process of democratization and reconciliation in South Africa. In attendance were ministers, judges, scholars, journalists, and heads of nongovernmental organizations from thirty-nine countries.



International Financial Services

The Retail Payments Office (RPO), a division of Federal Reserve Financial Services housed at the Federal Reserve Bank of Atlanta, carried out several initiatives in 2008 designed to promote more efficient cross-border payment options for financial institutions and their customers.

RPO staff participated in a series of foundational meetings of the International Payments Framework (IPF) throughout the year. The IPF is an initiative to develop a set of operating

rules and formats to improve the exchange of nonurgent cross-border transfers. Currently the twenty-three member organizations represent Brazil, Canada, Europe, South Africa, and the United States. RPO personnel have contributed legal counsel and payments expertise on format mapping and scheme development while also leading the development of the rulebook and serving on the steering committee.

The RPO continues to collaborate closely with the Mexican government, including Banco de México, the Institute for Mexicans Abroad (IME), Mexican consulates in the United States, and BANSEFI, a Mexican government development bank, to promote Directo a México as a means to financial inclusion on both sides of the border. One strategy this collaborative group adopted was to identify immigrant corridors between cities in the United States and Mexico and then help U.S. and Mexican financial institutions within these corridors host consumer-oriented events promoting financial services and Directo a México to Mexicans living in the United States. A second strategy focused on financial education. The RPO and community affairs staff worked with the IME to develop a financial education campaign that Mexican consulates in the United States can use to promote financial education on both sides of the border. The IME leveraged the Federal Deposit Insurance Corporation's Money Smart program, which Ana Cruz-Taura, of the Atlanta Fed's Miami Branch, taught during a June workshop on financial education and remittances in Mexico City. The workshop highlighted Directo a México as a key remittance program that brings consumers into the financial system.



The Miami Branch hosted the first-ever Pan American Payments Forum in March. The forum was organized by NACHA, the Electronics Payments Association, with support from the RPO. The forty-eight participants represented financial institutions, central banks, and service/software providers from the United States and nine Latin American countries. Panels focused on payments system issues in Brazil, Costa Rica, and Europe and on cross-border payments. University of Miami Professor Ambler Moss, a former U.S. ambassador to Panama, delivered the keynote address. Participants were especially interested in learning about how the Directo a México model—the funds transfer program developed and operated by the Banco

de México and the Federal Reserve—can be replicated in other countries. Given the high level of interest, NACHA is developing a proposal to incorporate this type of event into the regular activities of its Global Payments Forum.

Chile has been a global model for introducing market-based health care and pension reforms, making its recent “re-reforms” all the more striking in that they reflect a more assertive role for the public sector.

—Christina Ewig and Stephen J. Kay

Public and Private Social Policy: Health and Pension Policies in a New Era

In November the Atlanta Fed hosted NACHA’s Institute of International Payments conference and workshop for the fourth consecutive year. RPO staff made presentations on the national cross-border payment format and rule changes that will take place in the fourth quarter of 2009.

In June, Elizabeth McQuerry shared perspectives on the Directo a México program with attendees at the Brazilian Banking Federation’s annual CIAB (Centro de Instrução e Adestramento de Brasil) conference in São Paulo. In September she joined Ricardo Medina and Eduardo Gómez Alcázar from the Banco de México in presenting the payments partnership as a potential model for future collaborations among Latin American countries at the “Semana de Pagos” conference sponsored by CEMLA and the World Bank in Vienna, Austria.

RPO staff made presentations on topics related to the cross-border automated clearinghouse (ACH) at several events, including a panel with the Canadian Payments Association focusing on payments with Canada at NACHA’s Payments 2008 conference in Las Vegas in May. In October they presented their work on a panel with the Bank of Nova Scotia, Comerica, and Quality Metalcraft Inc. at the annual meeting of the Association for Financial Professionals in Los Angeles.



Looking Ahead to 2009

As the economy of the Sixth Federal Reserve District continues to form closer ties with Latin America and the Caribbean, the Federal Reserve Bank of Atlanta's relationships in the region are expanding as well. Looking forward, the Americas Center's aim will be to continue to support enhancing the quality of bank supervision in the region, produce research on economic and financial developments, provide forums to address financial and economic issues that affect immigrant populations, and support evolving payment systems in the region.

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Some members of the Americas Center staff: (seated, l-r) Tom Cunningham, Stephen Kay, Robert Schenck, Laurel Graefe, Hal Lipsey; (standing, l-r) James McKee, Elena Whisler, Elizabeth McQuerry

