



||| Federal Reserve Bank of Atlanta

Americas Center Annual Review

2012

A Note From Vice President Michael Chriszt

As Latin America's ties to the Sixth Federal Reserve District have grown, so too has the scope of activity of the Atlanta Fed's Americas Center. As someone who has worked with the Americas Center since its inception in 2005, I have had the opportunity to watch it develop into a thriving Bank-wide strategic initiative that enables staff to collaborate, often with external partners, on a wide range of programs.

When we started the Americas Center, we sought to bring thought leadership to the critical emerging policy and regulatory areas that are of vital interest to our Bank's mission. In 2012, three examples of achievements that reflect this leadership include:

- The Retail Payments Office's role in supporting the Western Hemisphere Payments Initiative's goal of establishing a regional payments hub, that, if implemented, would link many of the hemisphere's central banks' payment systems.
- An international stakeholders' meeting hosted by the Americas Center that brought together leaders from governments, multi-lateral organizations, and nongovernmental organizations (NGOs) to discuss how credit can be expanded through secured transaction reform.
- An Americas Center forum held with leading business and academic experts on the growing commercial and economic ties between the United States and Mexico.

In addition to the higher-profile initiatives that you will read about in this *Annual Review*, the Atlanta Fed is responding to new challenges in the region.



In banking supervision, staff representing various areas of expertise built upon their successful track record of collaborative, multilingual foreign technical assistance programs. The Country Risk and Foreign Banking Organization (FBO) Analysis team continued its efforts to build key working relationships and better understand country and regional banking sector risk fundamentals and their linkages to global developments. Sixth District Cash Operations, which serves 35 countries in Latin America and the Caribbean from the Miami Branch, rose to the challenges presented by Superstorm Sandy and stepped in to support its Fed System colleagues. The community and economic development team continues its work with unbanked and underbanked consumers, and the Bank's Retail Payments Risk Forum, which focuses on improved detection and mitigation of emerging risks and fraud in retail payments systems, focused on reaching out to partners throughout the hemisphere.

In 2012, the Americas Center worked with Atlanta Fed, Federal Reserve System, and public and private stakeholders to provide leadership in key supervisory, financial, and economic matters related to the Americas. As we look ahead to 2013, the Americas Center will continue to build upon this foundation. ■

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 divisions. The center provides a framework for collaboration among Bank staff whose responsibilities relate to the Americas and Spain. This collaboration enables the Bank more effectively to leverage its strengths and integrate its resources to serve internal and external constituencies through a wide variety of initiatives. These efforts include sponsoring policy conferences, analyzing key regional banking and economic trends in the area, participating in exchange programs, furnishing technical assistance, and conducting public outreach and educational activities.

"Our vision: The Americas Center will contribute to informed policies and practices that respond to the changing dynamics in Latin American, Caribbean, and Spanish financial institutions and markets. The center will bring thought leadership to the critical emerging policy and regulatory areas that are of vital interest to our Bank's mission."



Sixth District cash operations

The Miami Branch of the Atlanta Fed serves as one of two primary Fed offices that help satisfy global demand for U.S. banknotes and coins. The Miami Branch services 35 countries in Latin America and the Caribbean, making dollar payments to and accepting dollar deposits from financial institutions throughout the region, including several countries' central banks. International cash services contribute 50 percent of the Miami Branch's total cash volume. In 2012, the Miami Branch received currency orders from New York Fed customers affected by airport and road closures during Superstorm Sandy. Consequently, the Miami Branch paid more than \$1.3 billion to international correspondents from October 29 to November 1.

During 2012, the Miami Branch also hosted various international bankers and central bank representatives.

Providing a leadership role in payments and facilitating bancarization for underserved consumers

FedGlobal® ACH sponsored a number of outreach efforts throughout the year to encourage use of the Directo a México service. This service helps U.S. financial institutions gain a greater share of the U.S.-to-Mexico remittance market. These efforts promoted awareness of the potential of the remittance market for financial institutions and coordinated efforts among our partners—including the Central Bank of Mexico, the Institute for Mexicans Abroad, the Federal Deposit Insurance Corporation, and the U.S. Department of the Treasury—to support underserved consumer markets through the Directo a México service. The community and economic development team



Roundtable on Mexico

On April 12, the Americas Center and the World Affairs Council of Atlanta cohosted a roundtable called “Bridging the Border: Reinforcing Ties between the U.S. and Mexico.” The panel explored the long-standing relationship between the United States and Mexico, two countries bound by history, geography, and trade.

Mexico has experienced a decade of relative stability, thanks to a series of fiscal and monetary reforms, explained Ed Skelton, a business economist at the Dallas Fed. Those reforms include central bank independence, fiscal discipline, and the adoption of a formal inflation target.

Professor Jennifer McCoy of Georgia State University and the Carter Center spoke about the prospects for Mexico’s elections, as well as the country’s foreign policy in the hemisphere. The country’s electoral system has undergone extensive reforms, making it one of the most impartial systems in the world, said Robert Pastor, director of American University’s Center for North American Studies. Pastor argued that it is time for the United States, Canada, and Mexico to refocus on the hemisphere, where trade relations have stalled since 2001.

As Mexico’s economy and financial system have grown more stable and robust, so too has its importance as a U.S. trading partner. Jorge López Pérez, regional director–North America for the trade promotion agency ProMéxico, described the relationship between the United States and Mexico as a big, tight knot, with the two countries’ economic and financial systems having become stronger and more intertwined.

Highlights from the conference and an interview with Robert Pastor are posted on the Atlanta Fed’s YouTube channel. ■

helped promote this initiative and facilitated support from the Board of Governors.

Among other notable events, the Directo a México service was also featured during the national opening of the Financial Education Week at the Mexican Consulate in New York. Members of the press, community advocates, and financial institutions participated in the event. The Central Bank of Mexico and Mexican Consul Carlos Sada highlighted the importance of the Directo a México service in helping with bancarization and reducing the costs of remittances for the underbanked Mexican population.

The Atlanta Fed team also met to coordinate future outreach efforts with the Mexican Ministry of Foreign Affairs in Mexico City. Other outreach efforts included a presentation on central banks’ best practices at the U.S. Agency for International Development (USAID) and a U.S. Treasury-sponsored conference in Manila on global financial inclusion. Central banks from around the world attended the event.

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

In 2012, the Country Risk and FBO Analysis unit, an integral part of the Atlanta Fed’s International Supervision and Regulation Department, conducted in-country visits to Spain, Brazil, Colombia, Peru, and Costa Rica. These visits support International Supervision’s core responsibilities under the Foreign Bank Supervision Program. Supervision staff met with regulatory counterparts and head office FBO management in the various countries.

Bank representatives also participated in two supervisory colleges hosted by the Bank of Spain and the Central Bank of Brazil, which were attended by various regulatory agencies from around the world. The topics discussed



were evolving regulations in the host countries—the United States (for the Dodd-Frank Act) and internationally (for Basel III).

The FBO unit at the Miami Branch hosted visiting examination teams from the Central Bank of Brazil and the banking superintendencies of Costa Rica and Peru. These opportunities to meet with regulatory counterparts support the Americas Center’s mission to build solid working relationships across Latin America and Spain, which ultimately enhances the Atlanta Fed’s ability to supervise the U.S. operations of FBOs doing business in the Sixth District.

Globally, the Atlanta Fed continued to support Federal Reserve System foreign technical assistance initiatives. Atlanta Fed supervision staff, representing diverse areas of expertise, served as instructors at programs hosted by foreign regulatory agencies and multilateral organizations in Mexico, Peru, the Cayman Islands, Portugal, India, and Korea. Staff also served as instructors in Washington, D.C., Chicago, and San Francisco for examination personnel representing several foreign regulatory agencies.

International Supervision continued to reach out to its FBO constituents in 2012 to exchange ideas and to receive feedback on regulatory topics and evolving regulations. The group hosted an International Bankers’ Outreach Luncheon at the Miami Branch, which was attended by international bank representatives, Atlanta Fed President Dennis Lockhart and First Vice President Marie Gooding, and International Supervision officers and case managers.





Developing effective region-wide and global payment connections

The Atlanta Fed's Retail Payments Office is continuing its leadership role in supporting the Western Hemisphere Payments Initiative's goal of establishing a regional payments hub. If implemented, the hub would link many central banks' payments systems in the Americas. The Center for Economic and Monetary Studies in Latin America (CEMLA) is facilitating the discussions to determine feasibility of the connection between 13 central banks in the region and the Federal Reserve System. The Atlanta Fed's team also met with the Central Bank of Brazil to discuss this initiative when it participated in the U.S. National ACH Association's Global Payments Forum in Rio de Janeiro.

Community Indicators project

The Atlanta Fed's community and economic development team conducted roundtables, interviews, and polls for the Community Indicators initiative. The objective is to gather quantitative and qualitative data about the needs of low- and moderate-income populations in southeastern communities. The project focused on the labor force participation of low-wage job seekers, housing market trends and recovery prospects in distressed neighborhoods, and access to consumer credit. Myriam Quispe-Agnoli and Karen Leone de Nie wrote about the Community Indicators initiative in "Taking the Pulse of Regional Low-Wage Workers," which appeared in the Atlanta Fed's July/August *Partners Update*.

Building a better understanding of the economies of the Americas

In November and December, the Americas Center hosted two workshops devoted to international economics. In the International Macro Workshop, which was cosponsored with New



Secured Transaction Reform

Across Latin America and the Caribbean, small businesses do not have ready access to commercial credit. With a few exceptions, financial institutions will only accept real estate and vehicles as collateral. In developing countries, banks do not generally view movable assets—which include capital stock, inventory, and receivables—as adequate sources of collateral. Starved for operating capital, small businesses face impossible choices: borrow from the informal credit networks, or do without. Secured transaction reform (STR), which would provide the legal and institutional infrastructure through which movable assets can be used for lending to small businesses, would represent a major milestone.

In July, representatives from 14 countries, USAID, the World Bank, the U.S. Treasury and State Departments, and several NGOs met in Atlanta to discuss secured transaction reform in the Americas. The Americas Center and the Institute of the Americas in La Jolla, California, cohosted the conference. The purpose was to bring together countries working on secured transaction reform with donors, commercial banks, and legal experts to share experiences, coordinate efforts, and share best practices. Atlanta Fed President Dennis

Lockhart and former Panamanian President Nicolás Ardito-Barletta both spoke about the importance of STR. An *EconSouth* article on STR and podcast discussions in both Spanish and English with Ambassador Charles Shapiro of the Institute of the Americas and Professor Boris Kozolchyk of the National Law Center are available on the Americas Center website.

Americas Center dissertation intern program

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 a summer dissertation internship. The economists are expected to make significant progress on their dissertation during their stay, and are asked to make two presentations of their research and be available for consultation with staff. In 2012, two interns were selected. Carolina Cabrita Felix of Emory University wrote her dissertation on “Decision Making in Individual Account Pension Systems.” Diego Vilan of the University of Southern California is writing his dissertation on “Optimal Monetary Policy under Stochastic Volatility in a Small Open Economy.” ■

York University, economists presented leading-edge research on monetary policy, sovereign debt, and firms in the open economy. Highlights included the paper “Financial Globalization, Inequality, and the Rising of Public Debt,” by Marina Azzimonti, Eva de Francisco, and Vincenzo Quadrini, and “Technology Capital Transfer,” by Thomas J. Holmes, Ellen R. McGrattan, and Edward C. Prescott. Former Americas Center dissertation interns Andrea Raffo (now at the Fed Board of Governors) and Javier Bianchi (of the University of Wisconsin and the National Bureau of Economic Research) also presented papers. At the Southeastern International Development Economics workshop, which was cosponsored with Georgia State University, economists from regional universities presented new research on a range of topics related to economic development. The papers from both meetings are available on the Americas Center website.



Throughout the year, Atlanta Fed economists developed new research on a range of topics related to the Americas, including remittances, immigration, and pensions. Federico Mandelman presented “Monetary and Exchange Rate Policy under Remittance Fluctuations” at the American University of Sharjah in the United Arab Emirates. He also presented “Regular Variation and the Identification of Generalized Accelerated Failure-time Models” at the International College of Economics and Finance of the National Research University Higher School of Economics in Moscow. He published “Immigration, Remittances, and Business Cycles” (with Andrei Zlate) in the *Journal of Monetary Economics* and “Remittances, Exchange Rate Regimes, and the Dutch Disease” (with Emmanuel K.K. Larty and Pablo A. Acosta) in *Review of International Economics*. Myriam Quispe-Agnoli and Julie Hotchkiss’s article “Does Employing Undocumented Workers Give Firms a Competitive Advantage?” (with J. David Brown) is forthcoming in the *Journal of Regional Science*. Their article “The Expected Impact of State Immigration Legislation on Labor Market Outcomes” is forthcoming in the *Journal of Policy Analysis and Management*. Quispe-Agnoli’s article “¿Todos Vuelven? Políticas para el Retorno de Talentos en el Nuevo Milenio” (“Everyone Returns? Policies for the Return of Skilled Workers in the New Millennium”), cowritten with Fátima Ponce Regalado, was published in an edited volume, *Empleo Y Protección Social*.



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