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Latam’s Challenges

- Market Fragmentation
- Cultural Diversity
- Complex Regulations
- Dynamic Environment
- Evolving Market

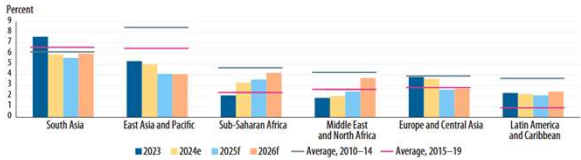
Source:
<https://www.citigroup.com/global/regions/latam/latam/latin-america-a-new-era-of-opportunity>

Economic Landscape

GDP Growth

Growth Continues to Lag Relative to Other Regions

a. Growth by region

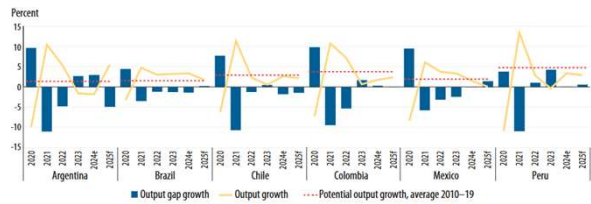


Source: World Bank: Economic Review, Latin America and the Caribbean April 2025

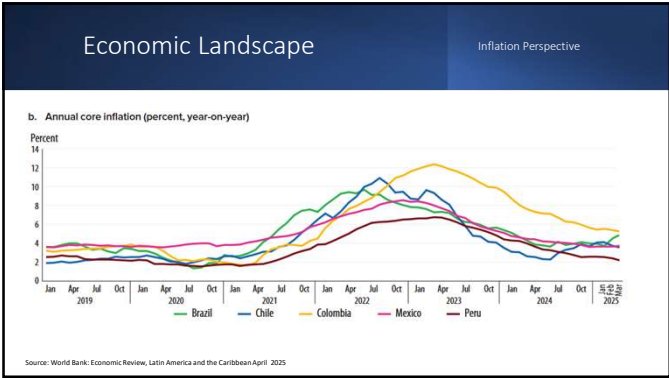
Economic Landscape

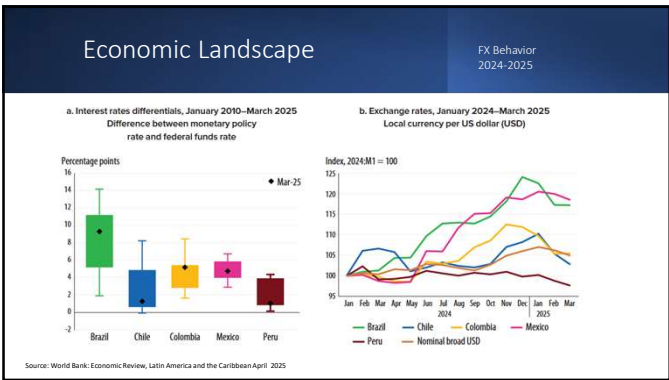
GDP Growth %
2021 - 2024

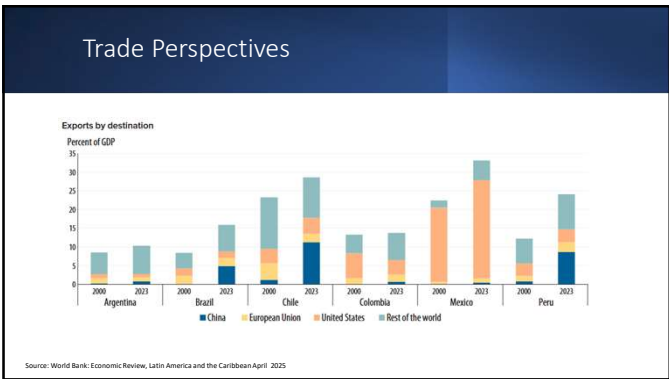
b. Growth in the LAC-6



Source: World Bank: Economic Review, Latin America and the Caribbean April 2025







Exports by destination and sector in 2023



Latin America Has Become a \$190B-a-Year Services Market



How do you say T-shirt in Latam's Spanish?



Cultural Considerations

- Directness
- Punctuality
- Personal Relationships
- Hierarchy
- Sports fanaticism is almost a religion
- Greetings
- Is ok to talk about politics

Sources:

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<https://www.garrett.edu/news/10-differences-in-latin-culture-compared-to-us-culture/>

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<https://www.usaid.gov/press/press-releases/2018/04/18/2018041801>

13

<https://study.com/learn/lesson/latin-american-culture-traditions.html>

14

<https://garrett.edu/news/10-differences-in-latin-culture-compared-to-us-culture/>

Credit & Risk Management in Latin America

- Creditworthiness Assessment
- Currency Risk
- Payment Terms & Methods

Credit & Risk Management in Latin America

- Creditworthiness Assessment
 - The importance of onboarding your customer
 - Credit History
 - Financial Stability
 - Trade References
 - Market Perspective

Sources:

11

<https://www.wfsc.com/en-ca/insights/2023/2/2/managing-credit-risk-in-latin-america>

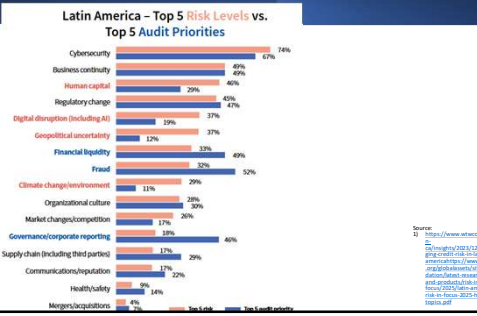
12

<https://www.globalcredit.com/blog/insights/all-around-credit-risk-management-compliance-latin-america/>

13

<https://www.bvca.org/global-equity/insights/latin-america-research-and-productivity-in-2022/latin-america-risk-in-focus-2025.html#p=1>

Credit & Risk Management in Latin America



Credit & Risk Management in Latin America

Latin America – Top 5 Risk Levels per Industry

Survey question: What are the top 5 risks your organization currently faces?

Risk area	All	Financial services	Mining/energy/telco/supply	Manufacturing	Public sector (Government)	Wholesale/retail	Education	Health/social work
Cybersecurity	74%	48%	46%	38%	67%	51%	25%	19%
Business continuity	48%	18%	39%	33%	40%	44%	31%	62%
Human capital	46%	47%	42%	42%	39%	67%	36%	30%
Regulatory change	47%	46%	40%	32%	52%	30%	30%	4%
Digital disruption (including AI)	37%	17%	27%	18%	30%	32%	47%	31%
Geopolitical uncertainty	37%	39%	30%	32%	24%	52%	23%	41%
Financial liquidity	49%	35%	36%	26%	33%	18%	4%	30%
Fraud	52%	29%	4%	31%	49%	38%	35%	19%
Climate change/environment	29%	23%	34%	30%	30%	21%	12%	15%
Organizational culture	28%	23%	11%	18%	40%	24%	44%	35%
Market changes/competition	26%	24%	30%	1%	4%	21%	27%	19%
Governance/corporate reporting	40%	14%	11%	10%	29%	24%	4%	19%
Supply chain (including third parties)	17%	9%	26%	43%	3%	26%	12%	15%
Communications/reputation	17%	12%	11%	10%	24%	24%	23%	27%
Health/safety	14%	9%	22%	7%	8%	3%	12%	18%
Mergers/acquisitions	4%	4%	9%	1%	0%	3%	0%	0%

Legend: 5 Highest risk areas per industry. If there is a tie for the fourth or fifth highest percentage, the top percentages are highlighted in lighter color.

Note: Risk in Focus survey conducted online from 12 March 2024 to 10 May 2024 by the Internal Audit Foundation. n = 424 for Latin America.

Credit & Risk Management in Latin America

Latin America – Top 5 Audit Priorities per Industry

Survey question: What are the top 5 audit areas on which internal audit spends the most time and effort?

Audit area	All	Financial services	Mining/energy/telco/supply	Manufacturing	Public sector (Government)	Wholesale/retail	Education	Health/social work
Cybersecurity	67%	61%	61%	67%	64%	66%	66%	12%
Fraud	52%	48%	67%	12%	44%	73%	42%	40%
Financial liquidity	49%	50%	40%	40%	66%	38%	14%	44%
Business continuity	46%	62%	40%	40%	37%	61%	31%	19%
Regulatory change	47%	54%	39%	33%	52%	30%	40%	30%
Governance/corporate reporting	40%	40%	32%	31%	63%	16%	40%	50%
Organizational culture	28%	21%	25%	27%	43%	33%	16%	35%
Human capital	28%	26%	31%	27%	42%	18%	31%	22%
Supply chain (including third parties)	29%	10%	44%	52%	22%	32%	23%	38%
Digital disruption (including AI)	22%	17%	19%	21%	35%	26%	19%	19%
Market changes/competition	17%	17%	17%	12%	14%	4%	30%	12%
Communications/reputation	17%	19%	16%	27%	2%	29%	8%	19%
Health/safety	14%	4%	19%	28%	13%	21%	4%	17%
Geopolitical uncertainty	37%	12%	11%	12%	13%	12%	15%	4%
Climate change/environment	11%	3%	15%	19%	10%	0%	0%	12%
Mergers/acquisitions	7%	5%	10%	0%	11%	3%	0%	0%

Legend: 5 Highest audit priority areas per industry. Note 1: Audit priority reflects the percentage of respondents who ranked a risk as one of the five where they spend the most time and effort. Audit priority does not reflect the percentage of those that report on that risk or whether the risk is on the audit plan.

Note 2: Risk in Focus survey conducted online from 12 March 2024 to 10 May 2024 by the Internal Audit Foundation. n = 424 for Latin America.

Credit & Risk Management in Latin America

- Currency Risk
 - Volatility of Latam Currencies
 - Hedges availability
 - Open versus Closed FX economies

Sources:
1) <https://ifmna.com/economics/policy/regulation/latin-america-dollarisation-debate/>

Credit & Risk Management in Latin America

• Currency Risk



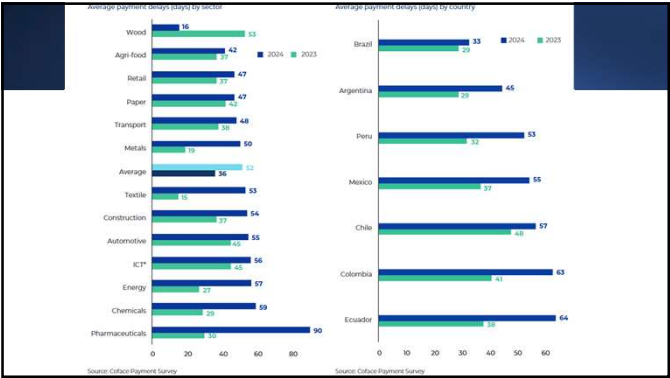
Currency	5Y Variance	Volatility
MXN	11.57%	1.57%
BRL	6.15%	0.33%
CLP	18.19%	81.61%
COP	14.03%	338.58%
ARS	1,606.84%	385.04%

Sources:
1) Yahoo Finance, own calculations

Credit & Risk Management in Latin America

- Payment Terms & Methods
 - Common open accounts terms
 - LOC usage
 - External financing agencies

Source:
1) <https://www.cafre.ch/news/publications/insights/protective-credit-conditions-and-extended-payment-delay-weigh-on-latin-american-economy>



Navigating Legal & Regulatory Challenges

- Regulatory Environment
 - Extremely formal regulation
 - Low flexibility
 - Legal system is usually very slow
- Contract Enforcement
 - Apostilled signatures
 - Digital signature not valid in some countries
 - A draft/IQU/Pagaré is your best friend
- Documentation Requirements
 - Credit App signed by Legal Representative
 - Bylaws
 - Tax ID
 - POA

Source: <https://www.dentonmexicolaw.com/navigating-legal-complexities-in-latin-american-mining-the-role-of-a-strategic-legal-diagnosis/>

Building Strong Partnerships & Networks

- The Role of Local Partners
- Due Dilligence
- Negotiation Tips