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# Introducing Compliance in LATAM

by Mónica Ramírez Chimal

If the company you work for does business in Latin America (LATAM), this column is for you! Welcome to *Compliance in LATAM*. My objective is to share useful information so compliance is done practically and easily.

Let's start with an overview. In my experience, there are three main scenarios that happen when companies do business in LATAM:

- ◆ The headquarters oversees compliance in its branches.
- ◆ The company has a compliance team, or at least a compliance officer, in its branches.
- ◆ The company outsources the compliance function to a third party.

Each scenario depends upon several factors, such as budget, time, size of operations, etc. However, all of them need to understand that each country is different.

Let's start with language. Although most countries speak Spanish, the vocabulary is often different. Then there's the culture. You need to be aware of certain rules of social behaviors. For example, LATAM meetings usually start late, while U.S. and European meetings begin on time.

The laws are another issue. On the American continent, each country has its own laws, and within a country, there can be local laws. It's not like in Europe, where regulations are set for all countries in the region. Don't expect that your customs and laws are the same as those of other countries.

However, there are similarities, such as assessing risks. The top risks are corruption, fraud, money laundering, data protection, modern slavery, cybercrimes, artificial intelligence, cryptocurrencies, and supply chain.


The compliance team also faces common challenges, such as budget, real-time monitoring, implementing a culture of compliance, training, getting executive buy-in, the compliance officer's profile, etc.

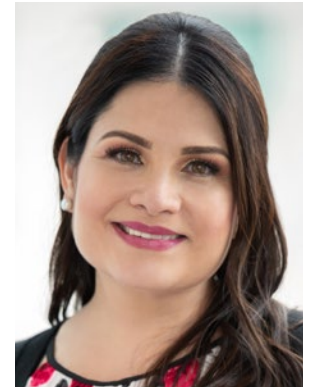
According to a study, in Brazil, 89% of the companies disclose compliance information on their websites, followed by 71% in Mexico and 51% in Chile.<sup>1</sup> The other 30 countries in LATAM have a lower percentage.

There is another factor. Regulations established by governments put little pressure on companies to comply. Companies that comply the most are multinational or have been fined or involved in some scandal. This makes sense if we take into consideration the cost of compliance in LATAM: at least \$10 million yearly, and the main contributors to cost increases are labor (71%), technology (69%), and training (64%).<sup>2</sup>

Compliance is still seen as a "checklist." Where have I heard that?

Nevertheless, having a compliance team in LATAM can help develop practical solutions, share knowledge, and disseminate good practices within the company.

Stay tuned for the next *Compliance in LATAM!* 



**Mónica Ramírez Chimal**  
MBA

([mramirez@asserto.com.mx](mailto:mramirez@asserto.com.mx),  
[linkedin.com/in/mramirezchimal](https://www.linkedin.com/in/mramirezchimal))  
is Partner and Founder of  
consulting firm Asserto RSC  
in Mexico City, Mexico.

## Endnotes

1. Patricia Gabaldón et. al, *Práctica y políticas de compliance y sostenibilidad en América Latina: Casos de estudio de Brasil, Chile y México*, IE Foundation and Elecnor Foundation, April 26, 2023, <https://www.ie.edu/ie-elecnor-observatory-on-sustainable-compliance-cultures/en/new-report-compliance-and-sustainability-practice-and-policies-in-latin-america-case-studies-of-brazil-chile-and-mexico>.
2. Lexis Nexis, "El costo del cumplimiento en América Latina 2023," accessed October 8, 2024, <https://risk.lexisnexis.com/global/es/insights-resources/research/true-cost-of-financial-crime-compliance-latam>.