Trends and Challenges
For Ethical Compliance in Latin America

Corporate ethical compliance in Latin America faces a complex set of challenges shaped by cultural norms, legal inconsistencies, geopolitical shifts and individual organizational dynamics. In this article Veritas Assurance Partners provide insights on recurring challenges and experience from three decades of assisting clients in hundreds of occupational fraud and corruption cases, supported by recent studies and trends:

- ***Cultural and Societal Barriers***

- *"Jeitinho[1]" and Normalization of Rule-Bending*: The cultural phenomenon of Jeitinho— finding creative ways to bypass rules— often conflicts with compliance frameworks. This mindset can foster unethical practices, such as using personal connections to expedite processes, undermining formal compliance protocols.

- *Entrenched Corruption*: Many Latin American countries ranked well below the global average on Transparency International's 2024 Corruption Perceptions Index. Nicaragua, Honduras, El Salvador, Ecuador, Mexico and Venezuela have consistently ranked amongst the lowest. This environment perpetuates an "impunity culture," where corruption is seen as inevitable, making enforcement of ethical standards difficult. Bribery was found to be most common where close of half of those surveyed reported that they had to pay a bribe to access basic public services. Police and politicians are perceived to be the most corrupt institutions in the region, with almost half of citizens saying that most or all people in these institutions are corrupt.

- *Employee Pressures*: A recent 2023 survey found 36% of Latin American employees experienced pressure to compromise workplace standards, with retaliation fears deterring misconduct reporting.

[1] The Brazilian Portuguese word "jeitinho" is the diminutive form of *jeito*, meaning 'way', which comes from the Latin 'jactum'.[1] The usage of 'jeitinho' is derived from the expression *dar um jeito*, meaning "to find a way". It implies the use of resources at hand, as well as personal connections, and creativity. Most times Jeitinho is harmless, used to find creative solutions to nonsensical problems and/or excessive bureaucracy although it's sometimes seen as dishonest or cunning, it comes from the necessity associated with a lack of resources and official help.

- ***Legal and Regulatory Fragmentation***

- *Complex Legal Systems*: Outdated and unclear regulations in countries like Mexico and Argentina create compliance ambiguities. For instance, Brazil's legal system is described as "complex and slow," complicating adherence to both local and international standards.

- *Weak Enforcement*: Despite strengthened anti-corruption laws (e.g., OECD-inspired reforms in Brazil, Mexico and Peru), inconsistent enforcement persists. Only 30% of respondents in the 2024 Latin American Corruption Survey viewed laws like the FCPA as effective deterrents.

- *Diverging Global Standards*: Companies must navigate conflicting regulations, such as the EU's Corporate Sustainability Due Diligence Directive (CSDDD) and U.S. trade policies, adding layers of complexity.

- ***Geopolitical and External Risks***

- *FCPA Enforcement Pause*: The Trump administration's suspension of FCPA enforcement in 2025 risks emboldening corrupt practices. Less U.S. oversight may cause companies to cut compliance budgets, reduce due diligence and even overlook red flags.

- *Cartel and Organized Crime Risks:* The US DOJ's focus on cartels as Foreign Terrorist Organizations (FTOs) increases liability for companies operating in conflict zones. The Maras (transnational criminal gangs like MS-13 and Barrio 18) have profoundly impacted businesses in Latin America, particularly in the Northern Triangle countries (El Salvador, Honduras, Guatemala) and increasingly in Mexico. Their activities disrupt economic stability, fuel violence, and create systemic challenges for enterprises. US DOJ's increased liability includes inadvertent "material support" to cartels and could trigger severe penalties under U.S. anti-terrorism laws.

- *Trade Tensions*: U.S.-China trade wars and "friend-shoring" strategies are likely to disrupt supply chains, prompting companies to review compliance in politically aligned yet risky regions.

- ***Internal Organizational Challenges***

- *Resource Constraints*: While approximately 80% of companies in Latin America have basic compliance programs, sophisticated measures (e.g., AI-driven monitoring) are rare. Budget reductions during the FCPA hiatus may potentially weaken control measures further.

- *Compliance Program Gaps*: The DOJ's 2024 ECCP updates demand firms to address AI risks and data accessibility, but many Latin American companies lack the needed infrastructure to implement these changes.

- *Employee Distrust*: Fear of retaliation, from both internal and external sources, and low trust in internal reporting mechanisms hinder whistleblowing. A recent study revealed that only 40% of employees in the region believe their organizations prioritize ethics.

- ***Emerging Risks and Technological Demands***

- *AI and Data Governance*: The adoption of AI introduces risks like bias, misinformation, and privacy breaches. Compliance teams must inventory AI systems, update policies, and ensure transparency—tasks complicated by resource limitations.

- *Climate and Environmental, Social Governance (ESG) Pressures*: Companies face growing demands to align with global ESG frameworks (e.g., EU's Corporate Sustainability Reporting Directive), but regulatory divergence and climate-related disruptions (e.g., extreme weather) often strain compliance efforts.

Conclusion

Navigating ethical compliance in Latin America and other emerging markets requires balancing cultural sensitivity with a strategic governance approach. A robust business compliance strategy must anticipate emerging trends and changing DOJ expectations regarding FTOs, AI and data transparency to avoid penalties and reputational damage. Leveraging AI for risk assessments, fostering employee trust and aligning with international standards—can mitigate risks.

While enforcement gaps and geopolitical shifts pose significant hurdles, most of the industry-leading companies that utilize Veritas Assurance services complement their compliance efforts with proactive measures including sophisticated due diligence assessments, comprehensive intelligence on key state and business actors, discrete targeted independent investigations and forensic accounting assessments designed to uncover fraud, corruption, money laundering and other potential unethical and criminal behavior.

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