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Family Office Insights

Family Offices and Private Capital in Latin America: Legal, Regulatory and Valuation Considerations in an Increasingly Complex Environment

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Latin America's evolving investment landscape

Latin America continues to attract family offices, private equity sponsors and strategic investors seeking growth opportunities, access to critical industries and portfolio diversification in markets that remain underpenetrated relative to more developed economies. In recent years, family offices, private equity sponsors and high-net-worth individuals have shown renewed interest in the region, driven by opportunities in infrastructure, energy, technology, agribusiness, financial services and special situations.

At the same time, increased regulatory scrutiny, geopolitical uncertainty, evolving compliance requirements and fluctuating economic conditions have made cross-border investing more complex than ever. Successful investors recognize that identifying a promising opportunity is only one component of a successful transaction. Equally important is understanding how legal, regulatory, financial and valuation considerations intersect throughout the investment life cycle.[1]

Based on our observations across numerous cross-border transactions, many of the most significant value impairments, disputes and failed investments in Latin America do not arise from flawed investment theses or adverse market conditions. Rather, they stem from governance shortcomings, regulatory risks that were underestimated during diligence, unrealistic valuation assumptions, or compliance issues that emerged after capital had been deployed. Investors who successfully navigate the region understand that execution risk can be just as important as investment risk.

The new Latin American investment landscape

Today's investment environment differs significantly from what existed a decade ago. Governments throughout the region have strengthened anti-money laundering regimes, enhanced financial regulatory oversight and increased transparency requirements. International sanctions programs, anti-corruption enforcement and beneficial ownership disclosure obligations have also become increasingly important considerations for investors operating across borders.[2 3 4]

Recent investment activity across Mexico, Brazil, Colombia, Chile and other markets demonstrates that sophisticated investors remain willing to commit substantial capital despite heightened regulatory scrutiny and geopolitical uncertainty. Opportunities continue to emerge across infrastructure, renewable energy, technology, logistics, healthcare and family-owned businesses seeking growth capital, liquidity solutions or succession-planning alternatives. The question is rarely whether opportunities exist; rather, it is whether investors have adequately evaluated the legal, regulatory, governance and valuation risks associated with those opportunities.

Technology startups throughout Latin America continue to attract significant capital. Infrastructure projects require substantial private investment. Family-owned businesses are increasingly considering strategic partnerships, recapitalizations and succession driven transactions.

While opportunities remain abundant, the margin for error has narrowed considerably.

Beyond traditional due diligence

Many investors approach diligence as a checklist exercise. Legal counsel reviews contracts, accountants analyze financial statements, and compliance teams evaluate regulatory issues. However, the most successful transactions involve integrated diligence that considers legal, financial, operational and strategic risks simultaneously.

Although confidentiality obligations preclude discussion of specific engagements, we have observed transactions in which unresolved licensing issues, shareholder disputes, regulatory deficiencies or customer concentration risks materially affected valuation and deal structure despite strong underlying financial performance. In some cases, risks that appeared manageable during diligence later became central drivers of post-closing disputes, purchase price adjustments or value impairment.

Consider a hypothetical family office evaluating an acquisition of a successful logistics company operating in multiple Latin American jurisdictions.

Initial financial statements suggest strong profitability and attractive growth prospects. Traditional diligence may focus on revenue validation, customer concentration and tax compliance.

A deeper review, however, might reveal several hidden issues:

- Key revenue streams depend on government contracts nearing expiration.
- Significant operations rely on third-party intermediaries operating in higher-risk jurisdictions.
- Certain permits and licenses have transfer restrictions.
- Related-party transactions materially impact reported earnings.
- Expansion projections assume regulatory approvals not yet obtained.

Individually, none of these issues may derail the transaction. Collectively, they could materially affect value and risk.

The lesson is straightforward: valuation and legal analysis should not occur in separate silos.

Valuation is more than mathematics

The findings uncovered during diligence often become the primary drivers of value. As a result, valuation analysis cannot be separated from the legal and regulatory realities surrounding a transaction.

One of the most common misconceptions in cross-border transactions is that valuation is simply a financial exercise. In reality, legal and regulatory factors frequently influence value as much as financial performance.[5 6]

Across many cross-border engagements, we frequently observe a disconnect between financial models and legal realities. Financial projections may assume uninterrupted operations, regulatory approvals or stable contractual relationships, while legal diligence identifies risks that could materially alter future cash flows. A valuation that does not adequately incorporate those risks may create a false sense of precision.

For example, a business operating in a highly regulated industry may appear attractive based on historical earnings. However, pending regulatory changes, compliance deficiencies or unresolved licensing issues can significantly affect future cash flows and investor returns.

Similarly, ownership disputes, shareholder conflicts, sanctions exposure, unresolved litigation and uncertain contractual rights can reduce value even when underlying business operations remain strong.

We often advise clients that value should not be viewed as a single number. Rather, value exists within a range influenced by risk, uncertainty, governance quality and future expectations.[6 7]

This principle becomes particularly important when investors enter unfamiliar jurisdictions or industries where local legal frameworks and regulatory environments may differ substantially from those in the US.

Currency and political risk considerations

In addition to legal, regulatory and operational concerns, investors should carefully evaluate currency exposure and political risk when structuring Latin American investments. Exchange rate volatility, changes in tax policy, capital controls, shifts in regulatory priorities and political transitions can materially affect projected returns and investment outcomes.

Sophisticated investors increasingly incorporate these factors into their valuation analyses and transaction structures through appropriate risk adjustments, scenario analyses, contingency planning and contractual protections. While such risks are not unique to Latin America, they often play a more prominent role in investment decision making and can significantly influence both value and exit strategies.

Family offices face unique challenges

Family offices have become increasingly sophisticated investors, often competing directly with institutional private equity firms.

Unlike traditional private equity funds, family offices frequently invest with longer holding periods and broader objectives. Wealth preservation, family legacy, strategic relationships and intergenerational planning often influence investment decisions alongside financial returns.

Family offices also possess strategic advantages that differentiate them from many institutional investors. Their longer investment horizons, greater flexibility and relationship-driven approach can create opportunities that traditional financial sponsors may overlook. At the same time, those same characteristics can sometimes lead investors to place greater emphasis on trust and relationships than on governance mechanisms, documentation and exit protections.

In our view, governance deficiencies remain one of the most underestimated risks in Latin American private capital transactions, particularly in founder-led and family-owned businesses, where informal decision-making structures may not align with investors' expectations.

We have seen situations in which minority investors entered otherwise attractive businesses without adequate governance protections, only to discover years later that their ability to influence material business decisions was significantly more limited than anticipated.

Disputes may emerge regarding dividend policies, management compensation, related-party transactions, strategic direction or future capital requirements. Although the investment itself may remain profitable, the investor's practical ability to protect its interests can become constrained.

The result is not necessarily a failed investment, but it may become a significantly less attractive one.

Robust governance provisions, dispute-resolution mechanisms, exit rights and information rights remain critical regardless of how promising an opportunity appears at closing.[5]

Compliance is now a value driver

Historically, many investors viewed compliance primarily as a defensive exercise designed to avoid penalties. Increasingly, compliance has become a value driver.

Over the past several years, compliance related issues have moved from the periphery of transactions to the center of investment discussions. Questions involving anti-corruption controls, beneficial ownership transparency, sanctions exposure and anti-money laundering procedures are now receiving attention from investors, lenders, regulators and counterparties much earlier in the investment process than was common a decade ago.

Institutional investors, lenders, strategic buyers and regulators are placing greater emphasis on transparency, governance, anticorruption controls, sanctions compliance and anti-money laundering procedures.[2 3 4 8]

Companies that demonstrate mature compliance frameworks often benefit from:

- Greater access to capital
- More favorable financing terms
- Broader strategic buyer interest
- Reduced transaction friction
- Enhanced enterprise value

Conversely, compliance deficiencies discovered during a sale process frequently lead to purchase-price adjustments, indemnity demands, extended diligence periods or abandonment of proposed transactions.

Sophisticated investors increasingly treat compliance assessment as a core component of value creation rather than a post-closing administrative requirement.

Preparing for disputes before they occur

One of the most overlooked areas in cross-border investing is dispute preparedness.

Most investors focus on how to complete a transaction. Relatively few devote equal attention to what happens if the relationship deteriorates.

Many cross-border disputes reveal that the most significant challenges are not necessarily related to the merits of a claim. Enforcement considerations, jurisdictional limitations, local legal requirements and practical business realities often have a substantial impact on outcomes. Investors who address these issues at the outset frequently place themselves in a far stronger position should disagreements arise later.

Cross-border disputes can be expensive, time consuming and operationally disruptive. Jurisdictional issues, enforcement challenges, language barriers and differing legal traditions can complicate outcomes.

Accordingly, investors should consider several issues before closing:

- What law governs the transaction?
- Where will disputes be resolved?
- Is arbitration preferable to litigation?
- Can judgments or awards be enforced effectively?
- Are shareholder protections adequate?
- How will damages be measured if disputes arise?

Addressing these questions in advance often proves substantially less expensive than resolving conflicts after they emerge.

Looking ahead

Latin America will likely remain a significant destination for private capital in the years ahead. The region offers substantial opportunities across both traditional and emerging sectors.

Successful investors, however, will increasingly distinguish themselves not by their willingness to assume risk, but by their ability to understand and manage it.

Legal, regulatory, compliance and valuation considerations are no longer separate workstreams. They form an integrated framework that shapes investment outcomes from origination through exit.

For family offices, private equity sponsors, financial institutions and strategic investors, the most successful transactions will be those that combine thoughtful legal structuring, rigorous financial analysis, disciplined compliance practices and realistic valuation assumptions.

Our experience suggests that the most successful investors in Latin America are not necessarily those willing to assume the greatest risk, nor those capable of moving the fastest. Rather, they are the investors who combine disciplined underwriting, rigorous diligence, realistic valuation assumptions and thoughtful legal structuring with a clear understanding of the region's unique opportunities and challenges. As investment environments become increasingly complex, the ability to ask the right questions before capital is deployed may prove to be one of the most valuable competitive advantages of all.

Footnotes

1. The views expressed herein are informed by the authors' combined experience advising clients on legal, regulatory, financial, valuation and dispute-related matters arising in cross-border investments and transactions throughout Latin America.

2. US Department of Justice and US Securities and Exchange Commission, A Resource Guide to the U.S. Foreign Corrupt Practices Act (2nd ed. 2020).

3. Financial Action Task Force (FATF), International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation (FATF Recommendations).

4. US Department of the Treasury, Office of Foreign Assets Control, Sanctions Programs and Country Information.

5. International Bar Association, Corporate Governance and Cross-Border Investment Guidance.

6. American Society of Appraisers, Business Valuation Standards.

7. International Valuation Standards Council, International Valuation Standards (latest edition).

8. Organization for Economic Co-operation and Development (OECD), Foreign Bribery Report: An Analysis of the Crime of Bribery of Foreign Public Officials (2014).

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