

January 14, 2014

## FINANCIAL REFORM

On January 9<sup>th</sup>, President Peña Nieto enacted the Financial Reform, which **lays the foundation for inclusive development**, maintaining healthy sensible practices and improving the efficiency of Mexico's financial system.



### THE FOUR AXES OF THE REFORM

#### Encourage greater competition among financial service providers

- Strengthening CONDUSEF to increase transparency in financial institutions
- Greater strength to CONDUSEF's resolutions of users' complaints regarding financial institutions
- Reduction of fees charged by businesses when accepting credit and debit cards
- Access to the transfer of loan guarantees
- Financial market study by the Federal Competition Commission to promote competition.

#### Promote and strengthen the Development Banking

- Adapting the development banking to promote greater credit and improve its operation
- Products for innovation, patents and other industrial property rights
- Credit schemes that promote gender equality and the development of infrastructure
- Programs and products in priority areas for national development as MSMEs and field

#### Extending financial products and services best placed for its users

- Regular assessments of the levels of loans placed by Multiple Banking institutions in order to encourage a greater offer.
- Simplification of regimes for the granting and execution of loan guarantees in order to reduce associated risks and costs of credit

#### Ensure liability and prudence of the financial sector as a whole

- Decreeing into a Law, the rules for the constitution and quality of a capital (Basilea III)
- Strengthening of the mechanisms of coordination and cooperation among financial authorities
- Providing bankruptcy processes to safeguard the rights of investors, minimize the impact on creditors and reduce the fiscal cost

### WHAT IS THE GOAL?

The main objective of the Financial Reform is that **Mexicans and enterprises have products and services that meet their needs with a competitive price** in order to transform Mexico. This Reform will allow making the most of 2014 favorable economic conditions to boost growth.

The Reform will improve the **financial sector in order to transform it into an effective tool for an integral national development**. Thus, a virtuous cycle will be established to promote that more Mexicans acquire the necessary resources to accomplish their ideas and to establish **productive enterprises** in the formal market; **creating quality jobs and sustainable growth** for the future.

### WHY IS THIS REFORM NEEDED?

The Reform **originates from the strength of the Mexican financial system**. Mexico has liquid and developed financial markets, profitable and well capitalized intermediaries, as well as low rates of delinquency. However, **these strengths were not fully used to finance productive projects and enterprises**. Various strategic areas such as micro, small and medium enterprises (MSMEs), agriculture, innovation, infrastructure, and housing did not have sufficient credit access.

### WHEN WILL THE EFFECTS OF THE REFORM BE APPARENT?

Since the release of the Financial Reform in the Official Journal of the Federation, several changes have taken effect immediately. So, all **the users of financial services now have new tools** at their disposition in order to choose the products and services they need, and if so to **exercise their rights towards institutions**. It is clear that there will still be a number of dispositions to be developed and implemented within the following months.

### Highlights

- Through this Reform it is expected that in 2018, domestic financing to the private sector will be equal to 40% of GDP, which in 2012 was 25%
- The Reform will increase consumption and investment in Mexico, and it will escalate almost 0.5% the annual economic growth between 2015 and 2018
- In 2013, credits from development banking institutions reached a billion pesos in 2014, the goal is to reach 1 trillion 150,000 pesos in indirect and driven funding.

### For further reading...

- Pacto por México ([Reforma Financiera](#))
- [Informe Semanal SHCP](#)