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Financial Services Providers Enter Mexican Market

by LADB Staff

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In late January and early February, several US-based service providers announced intentions or took steps to expand their operations in Mexico. Three large US banks J.P. Morgan, Citicorp, and Republic New York Corp. reported plans to initiate investment banking operations in Mexico, which would specialize in corporate finance, trading, and wholesale banking. According to the Reuters, the three banks had already filed for permits from the US Federal Reserve. The permits are required in order to proceed with an application to the Mexican Finance Secretariat (Secretaria de Hacienda y Credito Publico, SHCP). The SHCP was expected to open its application process for permits to operate investment banks by early March at the latest. The three banks are also among the dozens of foreign financial institutions which have made inquiries to the Mexican government about offering general banking services in Mexico ([SourceMex, Jan. 12, 1994](#)).

Separately, El Financiero International weekly business newspaper reported that the Boston-based insurance company Liberty Mutual, through a partnership with a Mexican company, opened a subsidiary office in Mexico City during January. The operation, which will be called Servicios Liberty, will offer occupational and health-related insurance services to a variety of clients, including Mexican companies, subsidiaries of US firms, multinational corporations, and public organizations. Another insurance company, Iowa-based Principal Financial Group, in late January received final approval from the Mexican government to establish a new insurance company.

The company which will offer individual and group insurance as well as pension plans will be operated as a partnership with Mexican insurance company Servicios Especiales Profesionales. The operation received preliminary approval in October of 1993, but the final license was not issued until January. Wire transfer services have also become an attractive investment for US companies such as Western Union, which in mid-January formalized an operating agreement with the Mexican furniture and appliance retail chain Grupo Elektra. Through the partnership, Elektra and Western Union initiated a service called "Dinero en Minutos" (Money in Minutes), which allows consumers in the US to transfer money to friends and relatives in Mexico via connections between 3,000 Western Union offices in the US and 300 Elektra outlets in Mexico.

The partners plan to add another 200 Elektra outlets to the system by year-end 1994. The Western Union-Elektra partnership is competing with a similar service provided by American Express, in partnership with the Gigante retail chain. According to the Banco de Mexico (central bank), a total of US\$2 billion in remittances was transferred by Mexican nationals or Mexican-Americans to Mexico during 1992. Another service provider that recently expanded operations in Mexico is Texas-based Kwik Kopy Corp., which provides printing, photocopying, and other office-related services. Kwik Kopy acquired a 50% share in Kwik Copy Mexico- -which had a permit to operate under the Kwik Kopy trademark with the intention of expanding the number of outlets in Mexico.

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