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## **Finance Secretariat Considering Applications For 12 New Banks**

*by LADB Staff*

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In late January, Finance Secretary Pedro Aspe announced that the Finance Secretariat (Secretaria de Hacienda y Credito Publico, SHCP) has received applications from 12 financial groups requesting permits to open new banks during 1994. Speaking at a ceremony to inaugurate the Banco Industrial in Guadalajara on Jan. 31,

Aspe said the SHCP will consider all 12 applications very closely, hinting that all stand a good chance of gaining approval. If all applications are indeed approved, then the total number of full-service domestic banks operating in Mexico would increase to 41 institutions. This would include the 11 new banks approved in 1993 and the 18 banks that were reprivatized since 1992. The move by President Carlos Salinas de Gortari's administration to approve the creation of new banks is seen as an effort to boost competition in order to improve the quality of financial services available to the public and to help reduce interest rates.

On the other hand, Roberto Escobar, a financial analyst with Mexico City-based Vector Services, told El Financiero International weekly business newspaper that the benefits of the competition will not become apparent in the banking sector for some time. He said new institutions will start operations at a competitive disadvantage relative to the established banks, which will seek to protect their market share and are in a better position to determine market conditions. For his part, Guillermo Prieto, president of the National Banking Commission (Comision Nacional de Bancos, CNB), in an interview with El Financiero International, said the SHCP is planning to announce by March the terms under which foreign banks will be able to apply to open new institutions or expand their existing operations in Mexico.

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