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Mexico Approves New Permits for Foreign Banks to Operate in Mexico

by LADB Staff

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On Feb. 6, the Finance Secretariat (SHCP) announced the approval of permits for 12 foreign financial institutions to either establish new operations or expand their existing operations in Mexico. The list of financial institutions included two banks: Bank of America and Bank of Tokyo, both of which were on the list of banks that originally received operating licenses in October 1994 (see SourceMex, 10/26/94). The SHCP decision allows the two banks to expand their operations to offer other financial services besides banking. The announcement did not specify into which areas the two banks would be allowed to expand their operations. Other foreign banks such as Citibank, Chemical Bank, Banco Santander, and Deutschebank offer brokerage operations, in addition to their normal banking services. Citibank also received a permit in October to offer leasing services.

In its Feb. 6 announcement, the SHCP also awarded permits to seven other companies to offer insurance and other services. For example, Zurich Chapultepec, Zurich, and Windsor Insurance all received permits to operate insurance companies. Additionally, GE Capital Corporation was awarded permission to operate a financial leasing company. Associates International Holdings Corporation, Ford Credit International Inc., and Caterpillar Financial Services Corporation each received two permits, one to operate a financial leasing company and the other to operate a financial factoring company.

According to an SHCP source, taken together the permits are expected to attract about US\$107 million in new investments from the companies that benefitted. Indeed, the main reason for opening the country's financial markets was to bring new sources of capital to Mexico's financial sector, especially banks and other lenders, in order to create a greater pool of loans and help bring down interest rates. President Ernesto Zedillo's administration is facing pressure to open the financial markets at a faster pace, since the devaluation of the peso has created severe restrictions on capital and raised already-high interest rates even further. (Sources: Agence France-Presse, Notimex, 02/06/95; La Jornada, 02/07/95)

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