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In late April, the Mexican Congress approved a bill to merge the national banking commission (Comision Nacional Bancaria, CNB) with the securities regulating agency (Comision Nacional de Valores, CNV). Reflecting its role in both areas, the new agency will be known as the national banking and securities commission (Comision Nacional Bancaria y de Valores, CNBV). The measure which received broad support in the Chamber of Deputies and the Senate is intended to create a banking system that both serves the public and investors. In merging the two agencies, legislators said they wanted to be careful not to weaken banking regulations, retaining mechanisms for businesses and private citizens to file complaints against banks. In fact, the text of the legislation merging the two agencies said the action provides an opportunity to strengthen supervision of financial institutions, considered necessary because of an increase in "cases of non-compliance, abuse, and corruption."

Deputy Ifigenia Martinez of the Democratic Revolution Party (PRD), who is also an economist, said members of her party overwhelmingly supported the measure on the hope that the newly created CNBV would lead to the creation of a banking system that heavily promotes savings, while at the same time removing most speculation from the banking system. Legislators from the National Action Party (PAN) expressed a similar position in supporting the merger. According to one PAN leader, legislators would push for the CNBV to enact new regulations to ensure the creation of a banking system that is more transparent and responsive to the needs of the public. Indeed, the banking sector has come under strong criticism during the past several months for not doing enough to counteract the impact of the economic crisis that followed the devaluation of the peso in December 1994.

The strongest concerns have been raised by business leaders, consumer groups, and agricultural organizations, who have criticized banks for taking a more restrictive stance on loans and for maintaining excessively high interest rates (see SourceMex, 03/08/95). Banks have countered that the high interest rates are partly related to the sharp increase in the interest rates offered by the government on Treasury certificates and bonds. Additionally, banks claim that the Mexican economic crisis has raised other costs for banks, such as an increase in the number of overdue loans. By some estimates, overdue debt this year is expected to approach 20% of all outstanding loans. The increase in overdue debt and the rising level of bankruptcies have led legislators and government officials to impose new restrictions on the country's commercial banks. At the same time, the government is reviewing ways that it could assist bankers in overcoming the present crisis (see SourceMex, 04/12/95).

On a related matter, trading of peso futures resumed at the Chicago Mercantile Exchange (CME) on April 25, after a 10- year absence. CME officials said the listing of peso futures contracts at the CME will provide investors and global institutions with a mechanism to reduce foreign exchange

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exposure for their investments in Mexico. According to El Financiero International weekly business newspaper, those traders who sell contracts can lock in a predetermined exchange rate, thus gaining protection against a future devaluation. On the other hand, the incentive for buyers of peso futures is the possibility of earning a profit if the Mexican currency appreciates relative to the dollar. The guidelines established by the CME established the value of each peso futures contract at about 500,000 pesos (US$83,750).

In the first week of trading, the most actively traded contracts were those for June and September futures. Francisco Gil Diaz, a deputy governor of the Banco de Mexico (central bank), who was on hand for the resumption of peso trading, said the return of peso futures trading at the CME has created an opportunity for Mexico to reduce reliance on securities and other short-term soft investments to determine the value of the peso. "This way we can increase reliance on market forces," he said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on April 28, reported at 5.97 pesos per US$1.00] (Sources: Notimex, 04/21/95; La Jornada, 04/20/95, 04/22/95; Reforma, 04/25/95, 04/26/95; United Press International, 04/25/95, 05/01/95)

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