

7-22-1998

Chamber of Deputies To Select Auditor to Examine Bank-Rescue Fund

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/sourcemex>

Recommended Citation

LADB Staff. "Chamber of Deputies To Select Auditor to Examine Bank-Rescue Fund." (1998). <https://digitalrepository.unm.edu/sourcemex/3942>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Chamber of Deputies To Select Auditor to Examine Bank-Rescue Fund

by LADB Staff

Category/Department: Mexico

Published: 1998-07-22

The Chamber of Deputies will select one of two international auditors to examine alleged irregularities in the operation of the bank-rescue fund (Fondo Bancario de Proteccion al Ahorro, FOBAPROA). Legislators had invited 12 companies and individuals to submit bids for the right to examine FOBAPROA, but only auditors Karen Shaw-Petrou of Canada and William Michael Mackey of the US agreed to participate in the process.

In mid-July, Deputies Fauzi Hamdan Amad of the opposition Partido Accion Nacional (PAN) and Jorge Estefan Chidiac of the governing Partido Revolucionario Institucional (PRI) announced that a special legislative committee will select either Shaw- Petrou or Mackey by the end of July. The auditor is expected to begin preliminary work in August and launch the full audit in September. The two legislators said the complete results of the audit would be available by February 1999. The decision to hire an international auditor to examine FOBAPROA was part of a June agreement between the Chamber of Deputies and President Ernesto Zedillo's administration to begin a series of financial and banking reforms (see SourceMex, 06/10/98).

Zedillo had been pushing for a special session of Congress during the summer months to consider the reforms. However, congressional leaders rejected the request for a special session and instead committed to develop a timetable to consider the reforms during the regular legislative session, which begins Sept. 1. The auditor will conduct a full review of FOBAPROA, including allegations that the executives of rescued banks diverted some of the funds for unrelated purposes. The audit will also examine allegations that FOBAPROA bailed out banks for more than their bad loans were worth. The 552 billion pesos (US\$62.3 billion) acquired in bad debt from troubled financial institutions is almost three times the assets seized from companies that defaulted on debt payments.

The financial and banking reforms proposed by Zedillo include a measure to convert the 552 billion pesos (US\$62.3 billion) in FOBAPROA liabilities into public debt. While legislators agreed to consider the administration's request, opposition parties and many PRI members have said they would accept conversion of only a small percentage of the FOBAPROA liabilities into public debt. PRD plans citizen referendum on government proposal The center-left Partido de la Revolucion Democratica (PRD), which initially supported the informal agreement with Zedillo, has broken ranks with the other parties and will promote its own plan among voters. A PRD document released in mid-July said its plan would convert only 30% of FOBAPROA liabilities into public debt and would apply tough sanctions against bankers and other officials who have misused FOBAPROA funds.

Under the PRD proposal, the party will organize a nationwide referendum on Aug. 30 to ask voters whether they accept the administration's proposal to convert FOBAPROA liabilities into public debt. "The consultation has a single objective: to involve all society in economic affairs," said

Deputy Dolores Padierna, the PRD's coordinator of economic policy in the Chamber of Deputies. Spokespersons for the Secretaria de Hacienda y Credito Publico (SHCP) immediately criticized the PRD for misleading the public and for violating the agreement among major parties to work jointly toward a solution of the FOBAPROA problem. PRI Sens. Oscar Lopez Velarde and Rodolfo Becerril accused the PRD of attempting to enhance its position for upcoming gubernatorial elections and the presidential election in 2000. They called the PRD plan "a political and election- driven maneuver."

The PRD insisted that its plan was not politically motivated, but rather an attempt to ensure that the FOBAPROA plan ends up benefitting a broader sector of society. "We are simply attempting to develop new rules to end privileges for bankers and friends of the administration," said PRD president Andres Manuel Lopez Obrador. "We also want to ensure that bank-rescue funds are used for small-scale debtors."

Lopez Obrador challenged President Zedillo, Finance Secretary Jose Angel Gurria Trevino, and Interior Secretary Francisco Labastida Ochoa to publicly debate FOBAPROA with the PRD leadership. The PRD proposal to hold a referendum may be part of a strategy to force the PAN to reveal its intentions regarding FOBAPROA. In December 1997, the PAN broke with the coalition of opposition parties and supported a slightly modified version of the 1998 budget proposal submitted by the Zedillo administration (see SourceMex, 12/17/97).

PAN officials criticized the Zedillo administration for "overreacting" to the PRD's decision to promote its proposals but also questioned whether the referendum would be practical. "The majority of Mexicans are not familiar with the FOBAPROA question, and therefore would be casting a vote based on superficial knowledge," said a PAN statement. Congress to call key officials to testify on FOBAPROA The FOBAPROA-related hearings in Congress later this year are expected to attract strong interest because several key figures have been asked to appear.

Among those scheduled to testify are three top financial officials in former president Carlos Salinas de Gortari's administration: former finance secretary Pedro Aspe, ex-Banco de Mexico chief governor Miguel Mancera, and Guillermo Prieto, ex-president of the Comision Nacional Bancaria y de Valores (CNBV). In addition, the Chamber of Deputies is seeking testimony from current and former officials of several banks that benefited from FOBAPROA: Confia, Union, Cremi, and Serfin. Testifying on behalf of Confia will be Nuevo Leon Gov. Fernando Canales Clariond, who once served as president of the bank's administrative council. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on July 22, reported at 8.86 pesos per US\$1.00] (Sources: The News, Reuters, 07/14/98, 07/16/98; Excelsior, 07/14/98, 07/16/98, 07/17/98; El Universal, 07/02/98, 07/13/98, 07/14/98, 07/16/98, 07/17/98, 07/20/98; Novedades, 07/14/98, 07/16/98, 07/17/98, 07/21/98; El Economista, 07/06/98, 07/20/98, 07/21/98; La Jornada, 07/07/98, 07/14/98, 07/15/98, 07/17/98, 07/20/98, 07/21/98)

-- End --