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Mexican Congress Delays Launch of New Savings Protection Institute

by LADB Staff
Category/Department: Mexico
Published: 1999-02-24

In a setback to President Ernesto Zedillo, the standing congressional committee (Comision Permanente) failed to approve the four candidates nominated by the executive to serve on the governing panel of the new savings-protection institute (Instituto Bancario de Proteccion al Ahorro, IPAB).

Under banking-reform legislation approved in December 1998, the Chamber of Deputies created the IPAB as an independent agency to assume the duties of the failed Fondo Bancario de Proteccion al Ahorro (FOBAPROA). The banking-reform legislation established a formula for the government to assume more than 600 billion pesos (US$60.4 billion) in FOBAPROA liabilities (see SourceMex, 1998-12-16).

The action by the Comision Permanente will delay the official launching date for IPAB. The legislation stipulated that an IPAB governing board would have to be in place by Feb. 18, 1999, with the agency set to officially begin operations March 5.

Nominees for institute’s board fail to gain approval

The committee did not actually reject the candidates, but the failure to approve their nomination by a two-thirds majority sent the nominations back to two legislative committees for further debate. The four IPAB nominees received a simple majority vote, gaining support from all 19 members of the governing Partido Revolucionario Institucional (PRI) on the committee. However, the four representatives from the center-left Partido de la Revolucion Democratica (PRD) voted against the nominees, while nine legislators from the conservative Partido Accion Nacional (PAN) abstained from voting.

On paper, the four candidates presented by Zedillo seem eminently qualified. The four economists are Alejandro Creel and Carlos Enrique Isard of the Instituto Tecnologico Autonomo de Mexico (ITAM), Adalberto Palma Gomez from the Instituto Tecnologico de Estudios Superiores de Monterrey (ITESEM), and Angel Antonio Palomino Hasbach of the Universidad Autonoma Nacional de Mexico (UNAM). But the PRD and PAN representatives said the nominees were unacceptable because of current or recent ties to the Banco de Mexico (central bank) or the Comision Nacional Bancaria y de Valores (CNBV).

The central bank and the CNBV were the two agencies involved in the costly bailout of Mexico’s commercial banking system under FOBAPROA. The opposition parties strongly criticized FOBAPROA, which they claimed used state resources to rescue wealthy bankers (see SourceMex, 1998-04-15).
The PRD the most vocal opponent of using public funds to rescue failed commercial banks and other wealthy companies and individuals voted against the banking-reform legislation in December. But Deputy Jose Silva, a spokesman for the PRD in the Comision Permanente, said his party will not automatically block the launch of the IPAB. "Even though we opposed the initiative that gave life to the new institute, we must view our participation with an eye to the future," said Silva. "We must ensure a consensus that will allow a clean and transparent administration of the institute."

PAN legislative leader Carlos Medina Plascencia said PRD members on the Comision Permanente were unable to support the nominees because they were not consulted by the Zedillo administration. "It is not acceptable for the president's agenda to be the sole determinant of national policy," Plascencia told reporters. PAN Deputy Rogelio Sada Zambrano said the IPAB matter will probably resurface during the next full legislative session, which begins March 15.

Deputy Arturo Nunez Jimenez, PRI leader in the Chamber of Deputies, said his party is open to negotiating a compromise with the opposition parties to ensure that the nominees receive a two-thirds majority. But Nunez also raised the possibility that Zedillo could send an entirely new initiative to Congress, rather than resurrect the original proposal. Finance Secretary Jose Angel Gurria criticized the rejection of IPAB, saying that "short-term political interests" had left the institute in limbo and without a governing body.

Gurria suggested that the administration might submit an alternate list of candidates to ensure that IPAB begins operations as soon as possible. However, the finance secretary insisted that the delay in the formation of IPAB will not endanger the Mexican banking system or the safety of deposits in commercial banks. He said the guarantees in place under the old FOBAPROA program remain effective until IPAB initiates operations.

Legislators accuse government of blocking FOBAPROA probe

On a related matter, some members of the Chamber of Deputies have accused the Zedillo administration of blocking the congressional audit of the FOBAPROA program. Deputy Marcelo Ebrard Casaubon, an independent, said obstacles presented by the SHCP and the CNBV have prevented Canadian auditor Michael Mackey from obtaining all the information he needs. The Chamber of Deputies hired Mackey in August 1998 to conduct an independent survey of FOBAPROA (see SourceMex, 1998-08-26).

Ebrard said the SHCP and the CNBV are using a loophole in Mexico's banking and financial code to keep Mackey from gaining access to relevant data on persons who may have defrauded the FOBAPROA program. "That information should be public record," said Ebrard. "Therefore the Chamber of Deputies should have access to that data." [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Feb. 24, reported at 9.93 pesos per US$1.00] (Sources: La Jornada, 02/20/99; Novedades, 02/20/99; Reuters, 02/19/99, 02/22/99; The News, 02/22/99; El Universal, 02/20/99, 02/22/99, 02/23/99; El Economista, 02/22/99, 02/23/99; Excelsior, 02/20/99, 02/22/99, 02/24/99

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