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## **Congressional Committee Allows Savings Protection Agency to Begin Operations**

*by LADB Staff*

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In a controversial vote, the standing congressional committee (Comision Permanente) approved an initiative to formalize the new savings-protection institute (Instituto de Proteccion al Ahorro Bancario, IPAB). In a 31-6 vote, the committee approved the nominees for the IPAB board of directors, a necessary step to launch the institute. Representatives of the governing Partido Revolucionario Institucional (PRI) and the pro-business Partido Accion Nacional (PAN) all voted in favor of the initiative, while the six committee members from the center-left Partido de la Revolucion Democratica (PRD) opposed the nominees to the IPAB board.

The initiative does not require a vote by the full Congress, since it was part of the bank-reform legislation passed in December 1998, which included a bailout of the IPAB's predecessor, the Fondo Bancario de Proteccion al Ahorro (FOBAPROA). Under the legislation, the IPAB was created to assume the functions of FOBAPROA (see SourceMex, 1998-12-16).

The IPAB was originally scheduled to begin operations on March 1 of this year. But PAN and PRD legislators in the Comision Permanente held up the initiation of the IPAB in late February by rejecting President Ernesto Zedillo's nominees to the institute's governing board. The opposition parties said the four candidates submitted by Zedillo 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 two agencies involved in the costly bailout of Mexico's commercial banking system under FOBAPROA (see SourceMex, 1999-02-24).

But in negotiations with the Zedillo administration, the PAN had a change of heart and agreed to support the nominations of economists Alejandro Creel and Carlos Enrique Isoard of the Instituto Tecnologico Autonomo de Mexico (ITAM), and Adalberto Palma Gomez from the Instituto Tecnologico de Estudios Superiores de Monterrey (ITESEM).

The fourth board member will be Humberto Murrieta, formerly chief administrative officer of the Chamber of Deputies. Murrieta was a compromise replacement for Angel Palomino, who had close links to FOBAPROA. In another compromise, the PAN and the Zedillo administration agreed that Finance Secretary Jose Angel Gurria Trevino would preside over the IPAB board and that central bank chief governor Guillermo Ortiz Martinez and CNBV director Eduardo Fernandez would have no role in the institute.

In its first action, the IPAB board announced the appointment of Vicente Corta as executive secretary of the institute. Corta, who had been the director of the banking and savings division of the Secretaria de Hacienda y Credito Publico (SHCP), said the IPAB was scheduled to begin operations May 21.

## *Some legislators criticize PAN for caving in to PRI*

Conflicting versions circulated about how the PAN negotiations on IPAB were carried out with the Zedillo administration. Some news reports said former presidential candidate Diego Fernandez de Cevallos was the party's principal liaison to the president during the negotiations. But PAN president Luis Felipe Bravo Mena dismissed those reports and credited the party's executive committee with reaching the agreement in direct negotiations with the Zedillo administration.

Still, some rank-and-file PAN members and other legislators criticized the PAN leadership for failing to obtain any concessions from the administration or PRI legislative leaders in the compromise. PAN legislators were angered at Bravo Mena for dropping the party's demand that any IPAB settlement include the resignations of Ortiz Martinez from the central bank and Fernandez from the CNBV.

Others, like independent legislator Adolfo Aguilar Zinser, said the PAN missed a golden opportunity to obtain concessions from the PRI, since the prompt approval of the IPAB was clearly in the best interests of the governing party. "The PAN proved to be the worst political negotiator in the history of modern Mexico," said Aguilar Zinser.

Similarly, PRD interim leader Pablo Gomez Alvarez said the PAN negotiated away the only trump card of the opposition parties for the upcoming debate on legislative reforms. The reforms, which will be considered in a special session of Congress at the end of May, propose far-reaching electoral changes, including greater flexibility to create coalitions among parties, campaign-spending limits, restrictions on the use of government programs to promote a party's agenda, and the possibility of extending the vote to Mexicans overseas.

Other PRD members expressed resentment that the full Congress was left out of a final decision on the IPAB's governing body. "The PAN negotiated an issue that clearly should have been decided by the full Congress," said PRD Sen. Jorge Calderon Salazar. Banking-industry analysts say the IPAB's first task will be to finalize the sales of Banco Atlantico to Bital and Banca Promex to Bancomer. These agreements had been negotiated in recent months, but the deals were not formalized because the IPAB had not come into existence.

The IPAB will also have to begin selling off bank debts assumed from financially troubled banks since 1995. The debts, which totaled 650 billion pesos (US\$69.8 billion) as of the end of 1998, will be converted into negotiable financial instruments. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on May 12, reported at 9.31 pesos per US\$1.00] (Sources: Spanish news service EFE, The News, 05/04/99; Reuters, 05/01/99, 05/03/99, 05/06/99; Novedades, 05/03/99, 05/04/99, 05/07/99; La Jornada, 05/04/99, 05/05-07/99; Proceso, 05/09/99; El Financiero International, 05/10/99; Excelsior, 05/03-05/99, 05/10/99, 05/11/99; El Universal, 04/30/99, 05/04/99, 05/05-07/99; 05/10/99, 05/11/99; El Economista, 05/04-07/99; 05/10/99, 05/11/99]

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