



Mexico City, 22 August 2020

## **CNBV´s statement about the article entitled: “Mexico Bank Failure Shows ´Huge Risk ´After Regulator Gutted”**

The Comisión Nacional Bancaria y de Valores (CNBV) denies that positions of officers who resigned after the beginning of the current administration are now being covered by profiles with less experience or professionalism and that, as a consequence, the surveillance, supervision and sanction capacities of the CNBV over the financial institutions are now compromised or weakened.

In the article, it is claimed that despite the current economic situation, the CNBV “seems to be pulling back”. As support to the claim, it is stated that the number of sanctions on financial institutions in 2019 dropped by half from 2018. For an interviewed former officer, this trend is a signal that points to a weaker supervision over the sector.

With respect to the above, the CNBV clarifies that the reduction in imposed sanctions between 2018 and 2019 was not associated to austerity policies nor staff turnover, but it is explained by changes in regulations and administrative processes.

The CNBV implemented a program to reduce the backlog of sanctions, which started in the middle of the previous administration and ended in 2018. This was mainly due to an increase in sanctions derived from greater sanctioning powers granted to CNBV´s supervisors in the financial reform of 2014.

This sanction’s normalization process reached a maximum in 2017, when the CNBV imposed 4,869 sanctions for an amount of 516.8 million MXN. When comparing this amount to that registered in 2018, the decrease in imposed sanctions is of 64.4%<sup>1</sup>, a larger reduction than in the first year of the current administration, when austerity measures started. This trend is clearly depicted in the graph shown in the article.

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<sup>1</sup> In 2018 the number of sanctions imposed by CNBV on financial entities added up to 1,733, for an amount of 347.2 million MXN. In 2019, the number of imposed sanctions was 869, which summed 207.5 million MXN. This implied a decrease of 49.9% and 40.2% in each figure, respectively.





Measures associated with the review of the supervisory processes implemented in the last years have also had an impact in the number of imposed sanctions. First, to enhance efficiency, the CNBV has adopted a policy consisting in that sanctions should be integrated by “infringing behaviors”, and not refer to specific “individual infractions”. This requires grouping findings of similar origin into general conducts that allow a better classification of non-complying behaviors for sanctioning purposes.

Finally, CNBV’s supervisors have started to use the power to refrain from sanctioning, established by different financial laws, which can be applied for infringements that are not classified as severe according to the law, only if the supervised entities previously address the issues that motivated CNBV’s findings. Among these infringements some internal control measures are included, which are recurrent in financial institutions and most of them are not classified as severe.

To adequately evaluate the supervisory actions it is important to analyze the supervisory process as a whole. In particular, the findings and corrective actions that CNBV issues to financial entities, have an impact in investments and measures of such institutions, aiming to strengthen their internal control systems, technological infrastructure, risk management processes, corporate governance and oversight measures, among many other aspects, which contribute to the stability of the financial system, according to CNBV’s mandate.

Regarding officers’ turnover, this process has at no time jeopardized, in any way, the fulfillment of the responsibilities that the law confers on the CNBV as the regulator of the financial system in Mexico. Between 2019 and 2020, 62% of vacant positions were occupied by personnel that formerly held positions immediately below the rank of these vacancies. This strategy is part of the institutional talent development policy, which ensures and verifies that the promoted personnel have the necessary knowledge and experience to occupy these new positions.

Vacancies that were not be filled through the promotion of personnel accounted for 38%. In these cases, those vacancies were occupied by new staff who met all the requirements in the applicable regulations for the entry of personnel to the CNBV. These profiles complied with all controls and authorizations –both internal and external– as well as those established by the Secretaría de Hacienda y Crédito Público (SHCP) and the Secretaría de la Función Pública (SFP). Therefore, during the whole hiring process, the professional capacity, working experience, as well as the suitability of every new public officer were carefully attended.





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It should be noted that, among the partings of public officers that occurred since the beginning of this administration, some correspond to the main hierarchical levels of the CNBV. However, those vacant positions were occupied in an average time of 30 days by professionals with robust working experience in the public administration, especially in the financial sector such as SHCP, Banco de México, and Nacional Financiera (NAFIN), among others, but also from financial entities of the private sector.

The Commission has not experienced a process of loss of human capital, nor has it slowed the pace of its core functions. On the contrary, it continues to be an organization with a high capacity to attract talent, which is reflected in the high professional profiles it currently has in its workforce.

