PONENCIA

“Financial Deepening in Mexico and the Post-Crisis Global Financial System Reform Agenda”

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Mexican financial market participants and policy makers alike have long been concerned about Mexico’s relatively low level of financial inclusion and its impact on economic growth and well-being. Recent policy measures take aim at the problem of “financial deepening;” and in light of the Mexican financial system’s strength and stability in key respects, observers agree that prospects for success of those measures over time are promising. National financial system policies do not operate in isolation of course, and post-2007-2009-crisis global financial system reform initiatives can be expected to have significant effects on the outcome of national policies, including those in Mexico.

This presentation considers those dynamics in the case of Mexico. It first highlights key measures of financial penetration, both over time and in comparison with other countries. That examination concludes with a synopsis of the conventional thinking on the main causes of the low degree of financial penetration in Mexico, as well as how, broadly speaking, the new Reforma Financiera program addresses those factors. The second part of the presentation outlines the development and substance of the global financial system reform agenda. It is widely appreciated that the Basel III capital and liquidity standards are a major component of that agenda. Less well known is the premier role played by the G20, of which Mexico is a member, and the G20’s new financial policy arm, the Financial Stability Board (“FSB” – of which Mexico is a charter member). The presentation concludes by explaining the nature of the strong linkages between the G20/FSB reform program and the financial deepening issue in Mexico. While several of those linkages are somewhat indirect, including those bearing on the role of Mexican small and medium size financial entities, they are nevertheless likely to be significant over time.

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