

Mexico Financial Chatter Special – Oct. 24, 2024

Cofece's Recommendations for the Financial Sector

Antitrust watchdog Cofece finally and somewhat belatedly published a series of recommendations (summary available [here](#), full study available [here](#)) to foster competition and increase financial inclusion, by way of loosening regulation on fintech players, allowing them to expand their offerings into areas currently restricted to licensed banks. Overall, while the recommendations are certainly not without merit, we would not expect them to get much traction, since:

- **They're just that, recommendations.** The document makes it clear that this is not the result of an antitrust investigation, but merely a study, which Cofece has the power to conduct; the recommendations are directed at CNBV and Banxico, the sector's regulators, which are not required to act on them.
- **Financial regulators are a lot more risk-averse than Cofece.** As we've written before ([link](#)), the stability of the financial system is, by far, the main objective of CNBV. Yes, it's a concentrated industry, but users do have alternatives.
- **Even if enacted, we don't believe they'd change much.** Payroll portability has been around for quite some time, yet few people actually request it.
- **The report suggests at times that it is Sofipos, not banks, that are over-regulated** which is debatable. In any case, this Bank/Sofipo debate is now becoming somewhat redundant as Nu (Sofipo), Mercado Pago (IFPE), and others are seeking to become full banks. We would point out that banks do face extensive regulation and surveillance, including the obligation to respond to numerous time-sensitive information requests. Sofipos might find that having to operate a call center (specifically highlighted in the study as a somewhat antiquated requirement) is easier than having to deal more frequently with CNBV.

Below we present a summary of the recommendations.

Make it easier for users to switch between institutions

This is akin to allow portability for any type of account, not just payroll, in order to make it easier for people to, say, maintain their automated payments. Given the low prevalence of payroll portability in the first place, we are skeptical this would gain much traction, particularly as terms tend to be different among banks (payroll accounts tend to be more uniform, carrying few if any fees).

Allow Sofipos to participate in payroll portability

We've previously noted the informational benefits of hosting a consumer's payroll account (see [here](#)). With many big Sofipos trying to become banks, this recommendation now feels very dated. At this stage it is too late. In any way, we question whether users would not in fact be better served by keeping their

payroll accounts at banks, maintaining access to branches and ATMs, at no additional cost, and transferring the money they wish to a Sofipo account on their own.

Make information more accessible to users

We note this has been a steady effort by regulators.

Make it easier for users to cancel products and services

A common complaint among credit card users in particular.

Promote digital banking agents

A subject covered in our previous report on the financial market. See [here](#). As we wrote then, we believe the regulators have actually made progress, but the pervasive use of cash remains a significant challenge, as Cofece's own study notes.

Foster the use of alternative payment systems

Same as above, we believe the vast majority of people *choose* to use cash, something technology alone is unlikely to change.

Promote open finance

Progress is slow, to be sure, and there is more to be done.

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