

Mexico Banking Flash

Financial System Stability Council: multiple banking institutions exhibit capitalization index levels above 11% both for the base and adverse scenarios

At the November 8, 2012 session, the Financial System Stability Council (CESF)¹ evaluated the banking system status based on the results from multiple banking institutions' financial forecasts carried out by the Mexican National Banking and Securities Commission under different scenarios for the period covering 2012 to 2014.

- **In order to further reduce possible risks arising in stress conditions, it is important for banks to diversify their portfolios and financing sources**

The results for the aforementioned period show that multiple banking as a whole has capitalization index levels above 11% both for the base and adverse scenarios. Nonetheless, the CESF believes it is important for banks to continue to diversify their portfolios as well as their financing sources in order to further reduce possible risks occurring in times of stress.

- **The CESF updated the risk and vulnerability analysis for the national financial system in the face of the situation in Europe and the "fiscal cliff" in the US**

In this sense, CESF members reasoned that although the measures announced by the European Central Bank helped to improve financial market conditions in Europe, uncertainty remains regarding the timeliness with which they will be implemented. With regard to the US, concern is increasing over the size of the fiscal adjustment that would take place in 2013 if US legislators fail to agree on implementing a more gradual fiscal adjustment policy.

- **The CESF is concerned about the overseas effect on the Dodd-Frank Act passed by the US Congress**

Council members acknowledged the meetings held between Mexican civil servants and US authorities to review the regulatory proposals that US authorities are preparing as part of the Dodd-Frank Act passed by Congress.

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¹ The CESF comprises the Secretary for Finance and Public Credit (Chairman), the Governor of the Bank of Mexico, the Deputy Secretary for Finance and Public Credit, two deputy governors of the Bank of Mexico, the President of the National Banking and Securities Commission, the President of the National Insurance and Finance Commission, the President of the National Retirement Savings Commission and the Executive Secretary of the Institute for the Protection of Bank Savings.