

Mexico investigates pensions market

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Mexico's Federal Competition Commission is investigating the country's pension fund sector to determine whether providers have colluded with each other.

The enforcer said it will examine whether any participants in the pension funds market had engaged in absolute monopolistic practices by agreeing to fix prices, restrict supply or split markets. It will also investigate whether any companies exchanged sensitive commercial information or rigged tender bids.

The inquiry began in February, but was announced by the investigatory authority in a press release on Monday. Observers say the commission likely conducted dawn raids prior to formally confirming the investigation.

One source, who did not want to be named, said the authority was probably looking in particular for instances of price fixing on rates of commission, exchanges of sensitive information at meetings with the regulator, and allocation of clients.

Though statute calls for an inquiry to be completed within 120 business days, the enforcer has the discretion to extend the inquiry up to four times, as it sees fit. An average investigation takes around two-and-a-half years.

The investigatory authority is responsible for examining alleged violations of competition law and has the power to request documents, issue subpoenas and carry out office raids. If it discovers a breach of the competition rules, it can bring proceedings against the offending company and its officials, after issuing a statement of objections.

If COFECE establishes the companies' guilt, it can penalise them up to 10 per cent of their annual turnover for collusion. Company directors can be fined and disqualified for up to five years, while individuals found guilty of criminal infringements can be sentenced to a maximum of 10 years in prison.

The main pension funds in Mexico include Colombian asset management group Sura, which previously acquired ING, Banorte, GNP Profuturo, MetLife, Azteca, Coppel and Bancomer.

Fernando Carreño Nuñez de Alvarez, at Von Wobeser y Sierra SC in Mexico City, says the commission received a mandate following the financial reforms of 2013 to review competition conditions in the financial and banking sectors, and this is now a priority.

"A few months ago, the commission started an investigation against credit rating companies and has now followed this up with its second investigation, this time focusing on pensions," he says.

This is a market where regulation is important and the commission will really need to understand how the regulation affects the behaviour of the companies before reaching a judgment, Carreño added.

Comments

There are currently no comments.