

Banking & Finance Chambers Global Practice 2023

Category: Banking & Finance, Publications

written by Adrián Trejo Santiago | October 17, 2023

Our partners Michell Nader and Julián Garza and associate Paulina Bracamontes from Nader, Hayaux & Goebel, contributed to the banking and finance guide with an overview of the regulatory framework applicable to such practice and developments in foreign and domestic lending activities in Mexico.

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1.1 Impact of Regulatory Environment and Economic Cycles

The recession that the COVID-19 pandemic brought about during 2020 certainly impacted the loan market in Mexico and in most other jurisdictions; needless to say, economic conditions changed dramatically, as did the need for, and availability of, financing funds.

The impact of the pandemic was also felt in an increase of defaults in existing loans. The risk for many companies of being unable to comply with their debt obligations, as well as the potential risk for Mexican banks to face serious capitalisation and reserves issues as a result thereof, prompted Mexican banking authorities to enable transitory regulations that eased technical and regulatory requirements applicable to Mexican banks, in an effort to facilitate their navigating through the crisis.

2021 has seen renewed expectations in terms of growth. As a result, the loan market in Mexico is currently more stabilised. Markets are fairly liquid and loans are flowing in a variety of forms, including in Mexico and across the border. The Mexican banking system is solid and foreign lenders' appetite remains strong to lend into Mexico.

As previously mentioned, COVID-19 seriously impacted the loan market. Regulations were successfully enacted to reduce the impact in the banking industry during a transition period. Nevertheless, efforts to reactivate the economy fell short and no significant funds were injected into the commercial business market, which has delayed the recovery of many companies and businesses, and their access to financings

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