

June 12, 2020

EY LAW Flash

Constitutional reform initiative to create the National Institute of Markets and Competition for the Welfare "INMECOB"



On June 10, 2020, Senator from Morena, Dr. Ricardo Monreal Ávila, filed an initiative to reform Articles 27 and 28 of the Mexican Constitution for the creation of the National Institute of Markets and Competition for the Welfare (the "INMECOB"), an independent constitutional body responsible for regulating economic sectors, and granted with legal personality as well as economic, technical, operational and management autonomy.

According to the proposal, the creation of INMECOB is intended: (i) to integrate Mexican regulatory bodies that have similar characteristics, and (ii) to establish a consolidated body for economic competition in the Telecom, Broadcasting and Energy sectors under a single regulatory body.

This creation of the new institute would imply the elimination of the Federal Telecommunications Institute ("IFT"), the Federal Economic Competition Commission ("COFECE") and the Energy Regulatory Commission ("CRE"), in order to generate an internal structure which will contribute to the optimization of resources and complies with the principle of economic austerity.

According to the initiative, the creation of the INMECOB would represent a reduction of 21.05% with respect to the total estimated annual budget allocated to the IFT, CRE and COFECE, as well as a reduction of 21.38% in the number of personnel.

In accordance with the published instrument, some of INMECOB's authorities would be the following:

- ▶ To guarantee free competition and participation, as well as to prevent, investigate and contest monopolies, monopolistic practices, mergers and other restrictions to the efficient operation of the markets.
- ▶ The efficient development of broadcasting and telecom; it would be responsible for regulating, promoting and supervising the use, development and exploitation of radio-electric spectrum, networks and the provision of broadcasting and telecoms services, as well as access to active and passive infrastructure and other essential inputs.
- ▶ Would have the necessary authority to promote the efficient development of the energy sector, exclusively in the area of the power industry, protect the interests

of users, promote adequate national coverage and ensure reliability, stability and security in the supply and provision of power services; it would regulate everything related to power generation, public power transmission and distribution services, the power transmission and distribution that is not part of the public service and power trading.

The proposal provides that CRE's hydrocarbon-related authorities would not be transferred to the new regulatory body, since it considers that the Federal Administration would continue to exercise technical and economic regulation powers in the hydrocarbons sector, but now only through the National Hydrocarbons Commission. The initiative is not comprehensive in terms of the manner, deadlines and/or mechanisms to be applied for the transfer of the matters and authorities between these regulatory bodies.

Finally, regarding the structure of INMECOB's governing body, this would be composed by 5 directors, which would be appointed successively by Mexico's president from candidates pre-selected by the Congress, for which the latter would have to issue a corresponding announcement and conduct a series of interviews with the applicants, who would not be subject to a knowledge test.

For further information about this bulletin, please contact any of the following professionals:

Jimena González de Cossío
jimena.gonzalez@mx.ey.com

Marcelo Guerra
marcelo.e.guerra.salinas@mx.ey.com

Salvador Ugalde
salvador.ugalde.mancilla@mx.ey.com

Rodrigo Ochoa
rodrigo.ochoa@mx.ey.com

Maciel Salazar
maciel.salazar@mx.ey.com

EY

Assurance | Tax | Transactions | Advisory

About EY's Tax Services

Your business will only succeed if you build it on a strong foundation and grow it in a sustainable way. At EY, we believe that managing your tax obligations responsibly and proactively can make a critical difference. Our global teams of talented people bring you technical knowledge, business experience and consistency, all built on our unwavering commitment to quality service – wherever you are and whatever tax services you need.

We create highly networked teams that can advise on planning, compliance and reporting and help you maintain constructive tax authority relationships – wherever you operate. Our technical networks across the globe can work with you to reduce inefficiencies, mitigate risk and improve opportunity. Our 45,000 tax professionals, in more than 150 countries, are committed to giving you the quality, consistency and customization you need to support your tax function.

For more information about our organization, please visit www.ey.com/mx

© 2020 Mancera, S.C. EYGM Limited All Rights Reserved ©

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.

This bulletin has been prepared by the professionals of EY and contains general comments on the application of various accounting, tax and financial standards, as applicable. Since the contents of this bulletin are informative in nature and do not represent a specialized study of any specific situation, this bulletin must in no case be construed as being professional advice on any concrete case. At EY, we are committed to providing you with reliable and timely information; however, we cannot guarantee that the contents of this document will be valid at the time you receive or consult this document, or that they will continue to be valid in the future. Therefore, EY assumes no responsibility whatsoever for any errors or inaccuracies that may be contained in this document and the decision to use the information contained herein is entirely the recipients. All rights reserved (currently being processed).