

## Board of Governors

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### Appointment of Board members

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Paragraph seven of article 28 of the Mexican Constitution establishes that in order to strengthen Banco de México's autonomy, the central bank will be managed by officials appointed by the President and confirmed by the Senate. If the latter is in recess, central bank top officials will be appointed by the Permanent Commission of the legislative branch.

Banco de México's Law states that the Board of Governors will be comprised of five members appointed according to the abovementioned procedure. From among these members, the President designates the Bank's Governor, who chairs the Board. The other Board members are known as Deputy Governors.

According to article 45 of Banco de México's Law, the Governor, or at least two Deputy Governors, can call a Board meeting, in which case three members must attend it in order for it to be held. If the Governor is not present, the meeting is held by whom he/she appoints or by the Deputy Governor who has served the most years in office (the one with the highest seniority), as specified in article 41 of Banco de México's Law. All decisions must be validated by approval of the majority of the members attending the meeting, except when one of them is in the process of being removed from office (see Causes for removal). If, when deliberating on a decision, there is a tie, the Board member chairing the meeting has the casting vote.

Five members was determined as an adequate number to constitute the Board, as it allows to gather sufficient opinions to analyze all issues pertaining to the central bank's constitutional mandate, without hampering the decision-making process.

### Requirements to become a Board member

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Banco de México's Law sets the requirements to be appointed to the Board, which, in general terms, aim for individuals with highly technical and professional profiles. Those to become members of the Board must be Mexican citizens by birth, not older than 65 years as of the starting date of his/her term in office; have renowned qualifications in monetary or financial matters, and have held, at least for five years, a high-ranking position in the Mexican financial system or in agencies or institutions related to the financial sector.

Two of the five members do not have to meet the five-year financial-sector employment requirement, provided that they are renowned professionals in economic, financial, or legal matters. This allows for selecting all kinds of individuals, such as distinguished academics, who could make significant intellectual contributions, even without having previously held an executive

position. These two members, however, cannot become Governor until they have completed three years as Deputy Governor.

### **Appointment terms**

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Paragraph seven of article 28 of the Mexican Constitution also states that Board members will be appointed for staggered periods, in order to enhance their autonomy in office.

As stated in Banco de México's, Law, Board members will remain in office for the following periods:

- (a) Governor: six-year period, starting on the first of January of the fourth year of each presidential term.
- (b) Deputy Governors: eight-year period. To be replaced or reappointed every two years, on the first, third, and fifth years of each presidential term.

Article 41 of Banco de México's Law establishes a special framework to regulate vacant positions in the Board, so the referred staggered periods are not interrupted.

Setting relatively long and staggered periods is essential to safeguard the central bank's autonomy and to ensure monetary policy continuity. Furthermore, long periods allow Board members to reach decisions with a medium- and long-term perspective and not only on the basis of the current economic conditions. The appointment of both Governor and Deputy Governors for staggered periods contributes to strengthen the central bank's historical memory of key central bank issues as well as others related to central bank management.

The members of the Board of Governors can be appointed more than once, as long as they fulfill the age requirement set in article 39, fraction I, of Banco de México's Law, of being not older than 65 years at the time they begin their term in office.

### **Causes for removal**

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As an additional provision to safeguard the central bank's autonomy, article 28 of the Mexican Constitution establishes that Board members cannot be removed from office unless they commit a serious violation.

Banco de México's Law establishes as causes for removal of a member of the Board any mental or physical disability that could prevent any Board member from adequately performing its duties for more than six months; having an additional job, position or commission, other than being appointed a central bank's representative or having a non-remunerated job related to academic, scientific, cultural, or charity associations; being proven of having a serious lapse of integrity; and, failing to meet one of the requirements to become a member of the Board.

Since tenure is the best guarantee of independent judgment for Board members, Banco de México's Law establishes a strict procedure for their removal. The procedure involves both the President and the Board of Governors, in which

case the Board prepares a report on the existence of a cause for removal. The report is passed on to the Senate or, whenever the case, the Permanent Commission of the legislative branch, for a final decision.

### **Powers of the Board**

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Given the complexity of monetary issues and the importance of making adequate decisions in that field, it is convenient that the central bank's fundamental actions and administrative decisions be taken exclusively by the Board of Governors.

In this regard, article 46 of Banco de México's Law establishes the key duties of the Board of Governors. Among them, the following stand out: authorize banknote issuance and coin minting; resolve on any issues that involve granting credit to the Federal Government; determine the policies and criteria according to which the central bank implements its operations and issues its regulations; approve its internal bylaws, budget, and labor and hiring regulations; and, issue regulations on contracting.

### **Liabilities of Board members**

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Board members, as well as central bank staff, are subject to the Federal Civil Servants Liability Law (*Ley Federal de Responsabilidades de los Servidores Públicos*). However, in accordance with the central bank's autonomy, this law is to be enforced by an internal entity known as the Liabilities Committee. Nevertheless, in its article 110, the Mexican Constitution states that those responsible for central bank actions may be subject to impeachment procedure as well.

### **Remuneration of Board members**

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Banco de México's Law states that Board members remuneration will be determined by a committee made up of the President of the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores, CNBV*) and two individuals appointed by the Ministry of Finance, whose designation does not cause conflict of interest and with recognized experience in labor matters of both public and private credit institutions and their regulatory authorities. This provision prevents decisions regarding remuneration from being used as a means of pressure in the conduct of monetary policy, in prejudice of the central bank's autonomy. It also precludes leaving remuneration in the hands of those responsible for managing the central bank, given the conflict of interest it would imply.

### **Accountability**

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In order to concede the central bank's autonomy with the need for accountability about its management, a common practice, which is used in a large number of countries and serves as the most appropriate, is the rendering of reports on its policies and activities to Congress.

In line with this practice, in January, Banco de México sends to both the President and Congress (or its Permanent Commission, during congressional

recesses) a document setting out the monetary policy to be followed in the current year, and a report on the central bank's current expenditure and fixed investment budget for that year; in April, a report on monetary policy implementation during the preceding year and on the central bank's activities during that year, in the context of both domestic and international conditions; and, in September, a report on monetary policy implementation during the first half of the current year. Additionally, Banco de México sends to Congress a quarterly report on the development of both inflation and the economy in Mexico and of different domestic economic indicators.

Congress can request the Governor to present additional reports on the central bank's policies and activities. Banco de México's Law requires the Bank to submit a report every January to both the President and Congress regarding its current-year budget and physical investments. This report must be consistent with federal budget requirements. Banco de México is also subject to the Federal Law on Transparency and Access to Public Government Information (*Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental*).

Finally, the Ministry of Finance has the power to designate and hire an external auditor on behalf of Banco de México, in which case it may request an accounting college or institute/agency widely representative of the accounting/auditing profession to submit the name of three renowned auditors. The chosen auditor sends a copy of its reports directly to both the President and Congress. Banco de México is subject to review by the Federal Auditor and has an Internal Auditing Department which reports directly to the Board of Governors.

### **Current Board members**

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#### **Governor**

[Agustín Carstens Carstens](#)

#### **Deputy Governors**

Roberto del Cueto Legaspi

Manuel Ramos Francia

Manuel Sánchez González

José Sidaoui Dib