

Compliance in Mexico. The case of housing companies: Geo B and Sare B

Compliance en México. El caso de empresas de vivienda: Geo B y Sare B

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Abstract

Introduction: since 2017, NMX-CC-19600-IMNC-2017 applies in Mexico, seeking to implement, preserve and optimise the management system for regulatory compliance; in the poverty perception index, Mexico ranks 126th out of 180 nations, with Canada, Uruguay, the United States, Spain, Chile, Costa Rica, Colombia, Argentina and Brazil ranking better; **Objective:** to analyse regulatory compliance and locate whether two housing construction companies (Corporation Geo and Sare Holding) adhered to its provisions; **Methodology:** The deductive method is followed, with a hermeneutic paradigm and a qualitative perspective, without using techniques or data analysis; **Results:** the collapse of Geo and Sare shares can be attributed to the lack of enforcement of regulatory compliance, where there was a lack of supervision by the Mexican Stock Exchange; **Conclusions:** Geo and Sare used 'creative' accounting in the presentation of their financial information; acquiring land and building in areas far from work zones; and there is inadequate financing from the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (granting credits without the work being completed and the real estate not being sold).

Keywords: Management control; Ethics; Financial market; Legal norm; Criminal sanction; Securities system.

Resumen

Introducción: desde 2017 aplica en México la NMX-CC-19600-IMNC-2017, buscando implementar, conservar y optimizar el sistema de gestión para el cumplimiento normativo (compliance); en el índice de percepción de la pobreza, México se posiciona en el lugar 126 de 180 naciones, ubicándose en mejor posición Canadá, Uruguay, Estados Unidos, España, Chile, Costa Rica, Colombia, Argentina y Brasil; **Objetivo:** analizar el cumplimiento normativo y ubicar si dos empresas constructoras de vivienda (Corporación Geo y Sare Holding) se apegaron a sus disposiciones; **Metodología:** se sigue el método deductivo, con paradigma hermenéutico y con una perspectiva de índole cualitativa, sin usar técnicas ni análisis de datos; **Resultados:** el desplome de las acciones de Geo y Sare se puede atribuir a la falta de aplicación del cumplimiento normativo, donde hubo falta de supervisión por parte de la Bolsa Mexicana de Valores; **Conclusiones:** Geo y Sare usaron contabilidad 'creativa' en la presentación de su información financiera; adquiriendo terrenos y construyendo en zonas alejadas de las zonas de trabajo; y se presenta un financiamiento inadecuado del Instituto del Fondo Nacional de la Vivienda para los Trabajadores (otorgando créditos sin estar terminada la obra y sin venderse los inmuebles).

Palabras clave: Control de gestión; Ética; Mercado financiero; Norma jurídica; Sanción penal; Sistema de valores¹

JEL: K22

¹ Los términos clave han sido recuperados a partir del Tesauro de la UNESCO (Última modificación 5 de octubre de 2023).



Introduction

The term *compliance* in Spanish can be translated as *cumplimiento* (conformity or compliance), so its meaning entails complying with the rules or laws that regulate companies or organizations. When the term compliance began to be used, it was associated with concepts such as sustainability and good governance, which implied a commitment by organizations to comply with established standards (Conesa, 2021).

This paper seeks to answer these questions: are there regulatory mechanisms in place in Mexico that force companies to implement regulatory compliance; how is Mexico positioned in terms of perception of corruption at the national level; were irregular compliance behaviors committed by housing construction companies operating in the stock market; and what were the causes of the collapse of housing development companies in Mexico in the last decade?

Thus, the objective of this article is to analyze the application of regulatory compliance in Mexico, as well as to locate whether two of the housing construction companies fully adhered to regulatory compliance and to explain why their shares fell completely, losing all their value.

Regulatory compliance is associated, among many aspects, with the fight against corruption and the prevention of certain criminal acts, for this reason, in recent times its conception has changed from being presented as a reaction or defense program, to be considered as a preventive policy, where corporate action must be located in complying in advance with the regulatory, legal and ethical framework that constrains it.

The paper is structured in three main parts: the first part presents a theoretical and conceptual framework of regulatory compliance, which provides solidity to the argumentation presented; the second section refers to the main elements and legal rules that frame regulatory compliance in Mexico; and the third part analyzes regulatory compliance in two housing construction companies, which were listed on the Mexican Stock Exchange (BMV): Geo and Sare, highlighting the points for which they lost their value in the stock market.

THEORETICAL FRAMEWORK

Human beings are eminently social, so the acceptance of rules and the sense of obligation are two conditions that they are obliged to comply with in order to live in harmony with their peers on a daily basis; likewise, companies or organizations need to respect the established rules so that their actions do not cause any harm to other individuals or legal entities (Béjar et al., 2021).

Compliance is a manifestation of self-regulation and etymologically its translation compliance is a vague term, which is understood as acting in accordance with the law or giving regulatory compliance (Pazmiño, 2020); a concept that can be explained in two ways: a) In a broad meaning, concerning ethical, moral and economic considerations; b) In a strict meaning, referring only to the application of current legal regulations (World Compliance Association (WCA), 2023):

Corporate Compliance is a set of procedures and best practices adopted by organizations to identify and classify the operational and legal risks they face and to establish internal mechanisms to prevent, manage, control and react to them (para. 1).

Very briefly, ethics means doing the right thing. Ethics is considered a social construct that serves to regulate the conduct of individuals or legal entities in society, referring to morals and the system of values established in moral codes that serve to qualify actions as 'bad' or 'good' (Espinoza & Calva, 2020). Moral values must be intimately connected with the ethics of the collaborators and the behavior of the organization, for which the principles and values themselves must be established.

The purpose of regulatory compliance programs is to prevent the occurrence of a corrupt act in an institution or organization, its use refers to the set of rules, procedures and internal and external mechanisms, which have been established in a regulation, code of conduct or law, primarily seeking to address the serious problem of corruption (Sandoval et al, 2022).

For some organizations, such as publicly traded companies, banking, credit and insurance institutions, regulatory compliance is not optional; it becomes an indispensable requirement, seeking to provide protection to users and clients. It can be said that, with Richard Nixon's *Watergate* scandal of 1972, the regulatory compliance system was detonated, seeking to punish corporations that fell into situations of corruption or acts of organized crime.

In addition, in the mid-seventies, the regulatory body of the capital markets and the stock exchange in the United States of America (*Securities and Exchange Commission, SEC*) detected that more than 400 companies in that country had made illegal payments to public officials or political parties in foreign countries, in exchange for 'favors' or influence in decisions on public works and services contracts: *SEC*), detects that more than 400 companies in that country have made illegal payments to public officials or political parties of foreign countries, in exchange for 'favors' or influence in decisions on contracts for public works and services, highlighting the situation of the aerospace company *Loc-kheed*, who would have paid twenty-two million dollars to Japanese government officials, in order to be favored in the process of purchasing their aircraft (Remacha, 2016).

The modern origins of *compliance* worldwide appear with the enactment of the *Foreign Corrupt Practices Act (FCPA)*, issued in December 1977 in the United States (Martinez, 2021; Salinas & Palomino, 2023), which sought to punish acts of corruption by U.S. companies, when making improper or illicit payments to officials of foreign companies.

In 1991, the *United States Sentencing Commission* published the Guidelines Manual (Remacha, 2016), with the intention that sentences should be approved in corporate crime trials, from which the figure of *Chief Ethics & Compliance Officer (CECO)* was created.

In the same sense, in 1997 the Anti-Bribery Convention of the Organization for Economic Cooperation and Development (OECD) emphasizes worldwide actions to prevent and penalize acts involving bribes to public officials of other nations (Salinas & Palomino, 2023). With the application of these measures, different national governments take legal entities to court for committing bribery or acts of influence peddling, for example: in the case of the United States, nine companies were convicted for acts of corruption, of which four organizations were domiciled in Europe (Avila et al, 2022).

At the beginning of the new century, accounting scandals, falsification of information and fraud in large corporations (WorldCom, Enron and Pescanova) led to the enactment of the *Sarbanes-Oxley Act* in the United States in 2002, with the aim of preventing fraud, risks and bad practices in companies operating on the U.S. stock exchange. The objective of the *Sarbanes-Oxley Act* was to create independent and robust mechanisms for supervising the auditors of public companies (listed on the stock exchange), enabling them to investigate irregular actions or activities that could have a negative impact on the equity or income of their shareholders.

Thus, it can be seen that the first intentions to use regulatory compliance systems came from the United States and were aimed at combating corruption, as well as preventing the use of privileged information to avoid fraud in the stock market, whether due to illicit activities or the omission of legal compliance.

The International Organization for Standardization (ISO: *International Organization for Standardization*) has addressed the issue of *compliance*, based mainly on the following instruments or modalities: a) ISO 19600: *Compliance Management System - Guidelines*; b) UNE 19601: *Criminal Compliance Management System*; c) ISO 37001: *Anti-bribery Management Systems*; d) UNE 19602 Project: *Tax Compliance Management Systems* (Soler, 2020; Miralles, 2021).

Before the turn of the century, regulatory compliance was already being discussed in the banking sector and in firms listed on the stock exchange; in Australia, with AS 3806:2006 *Compliance Programs*, it managed to transcend its borders by expanding its vision to any type of organization and subject matter (Casanovas, 2021). This regulation was articulated in twelve basic principles for the regulatory compliance program, linked to the implementation of a code or regulation of good practices.

In 2021, the Spanish Association for Standardization (UNE) issued the *UNE-ISO 37301* standard (which deals with *compliance* management), replacing *UNE-ISO 19600:2015*, the latter not being a certifiable standard, adding Conesa (2021) that UNE-ISO 37301, by containing specific requirements for compliance, becomes a certifiable standard. For a standard to be certifiable, the following requirements must be met: a) To have a quality management system in place; b) To have a quality management system in place; c) To have a quality management system in place; and d) To have a quality management system in place.

b) Implement a quality policy that is known by all personnel working in the organization; c) Define quality objectives; and d) Establish criteria for the selection and evaluation of suppliers.

The fundamental difference between ISO 19600 and ISO 37301 is that the former is based on programs that bring together a series of components seeking to achieve a specific purpose, while the latter is articulated as a management system that, in addition to fulfilling the above purpose, highlights the interrelationship that should exist between these components and the logic that explains the whole or the unit (Casanovas, 2021). It has been considered that regulatory compliance is a cross-cutting concept, which implies that various subjects can explain it and where there is interaction between phenomena such as self-regulation, standardization, business ethics, corporate governance, corporate social responsibility, internal audit and control (Pazmiño, 2020).

Regulatory compliance can be conceived as a theoretical-regulatory construct, whose main objective is to comply with the established rules, from an ethical, sociological, political and economic viewpoint, which is closely related to responsibility and, in the event of non-compliance, entails economic and criminal penalties (Rojas, 2020). *World Compliance Association* (WCA, 2023) points out that corporate compliance can be seen within the context of the organization, in the following areas: legislative; normative; regulatory; good governance; ethics and transparency.

To which other topics could be added: values (in the philosophical field), anti-corruption, sustainability and human rights. In the opinion of Ontiveros (2018):

For a *compliance program* to be effective and demonstrate the organization's adherence to a culture of legality, it must meet at least 11 requirements: 1) review of the organization, 2) organizational risk diagnosis, 3) early risk elimination, 4) protocolization, 5) training, 6) evaluation, 7) supervision, 8) complaints channel, 9) sanction and reward schemes, 10) updating, and 11) *compliance officer* (para. 2).

The legislative framework in which the company carries out its activities is becoming increasingly complex and abundant, so there is constant supervision by the authorities and regulatory agencies for compliance, so ethical management and good governance practices can prevent the risks associated with the non-implementation of regulatory compliance policies. This can result in damage to the organization's reputation, the application of sanctions or fines, loss of revenue from non-compliant contracts, exclusion from tenders for the supply of goods, withdrawal of subsidies (grants) or public benefits (WCA, 2023).

The good corporate governance manual should contemplate and express the values, principles and canons of conduct to be implemented within an organization, where in the first instance who complies with these precepts should be the body of directors, managers, employees, contractors and suppliers linked to the organization itself, in order to avoid being involved in transgressions to the regulations and legal norms in force (Vaudo, 2022).

All the parties that make up a company must be aware that, with the implementation of regulatory compliance in the organization, benefits will be generated for the whole; since it would be of little use if the partners, collaborators, suppliers, customers or consumers do not know the basic principles of values and ethics described in the good governance or good practices manuals (Soler, 2020).

In the opinion of Miralles (2021), within the business model, the objectives that the organization wants to achieve must be established with sufficient clarity and precision, so that it can carry out an adequate strategy to achieve regulatory compliance, which can be followed through the application of the SMART (*Specific, Measurable, Achievable, Relevant, Time-Oriented*) objectives management method.

Responding to the question what is the purpose of implementing regulatory *compliance* in companies, Remacha (2016) points out that since the reforms to the Spanish Criminal Code in 2010, they can prevent organizations from being imposed seven penalties considered as serious: (a) Fines; (b) Dissolution of the legal entity; (c) Interruption of movements and activities; (d) Closure of premises or industrial plants; (e) Prohibition to carry out specific activities; (f) Disqualification from obtaining subsidies, transfers and public support, as well as not being able to enjoy tax incentives (tax refund and crediting); (g) Avoiding court sentences and penalties, for not having safeguarded the rights of employees or creditors.

In addition, having a regulatory compliance system in place avoids falling into risky situations, among which are: highly criminal (terrorism and arms trafficking); crimes against intellectual and industrial property; violation of labor rights, infringement of consumer rights or interference in competition mechanisms; infringement of natural resources and the environment; not incurring sanctions and penalties in tax or social security matters, money laundering, bribery, influence peddling and currency counterfeiting (Remacha, 2016).

Companies, in addition to seeking to maximize their profits, must comply with a social purpose, which implies defining their mission and vision within the legal framework, taking into account ethical and moral aspects, good corporate governance practices, care for the environment, consumer data protection and financial transparency; therefore, it is possible to speak of regulatory compliance in criminal, labor and environmental areas (Béjar et al, 2021).

Regulatory compliance in the legal sphere should at least include the following aspects within the regulatory framework of the organizations: 1) Labor, reflected in individual, collective or legal contracts, as well as preventing labor harassment; 2) Social security, complying with the timely and full payment of social security contributions to decentralized agencies; 3) Compliance with the payment of the corresponding tax obligations; 4) Complying with the regulatory frameworks of each activity (banks, brokerage firms, commerce, industry, transportation); 5) Providing for actions that carry criminal penalties.

3. METHODOLOGY

This study is based on the deductive method, according to the thinking that goes from the general to the particular, starting from the study of regulations and laws, to land in two housing construction companies; follows the hermeneutic paradigm, recognizing the importance of the past and the experience had in the topic; with a qualitative approach, which does not present hypotheses, nor is subjected to tests, which tries to understand the interaction of the elements of regulatory compliance, presenting some data to highlight the importance of the concepts.

Quantitative information related to regulatory compliance is obtained from the Corruption Perceptions Index (CPI) published by Transparency International, where the information concerning Mexico is dis- tained. This paper does not present working hypotheses, nor direct information from the Mexican Stock Exchange (BMV), related to two issuers of the housing construction sector that were listed on the stock market, for this purpose we refer to the work *Loss of shares 2010-2020 Geo B, Sare B and Axtel CPO* (Villalobos, 2020). Likewise, no statistical inference or econometric analysis is presented.

4. RESULTS AND DISCUSSION

Enforcement of regulatory *compliance* in Mexico

Since September 8, 2017, NMX-CC-19600-IMNC-2017: Sis- tema de gestión del cumplimiento-Directrices (Secretaría de Economía, 2017) has been presented in Mexico, which aims to establish, implement, conserve and optimize the management system for responsible compliance of organizations; based on the principles of responsible governance, proportionality, transparency and sustainability. NMX-19600 is exactly the same as the international standard ISO 19600:2014 *Compliance management systems-Guidelines*.

In Mexico, in general terms, the topic of regulatory compliance is regulated by the following laws: Federal Criminal Code (CPF); National Code of Criminal Procedures (CNPP); General Law of Administrative Responsibilities (LGRA).

Section 11 Bis of the Federal Criminal Code establishes that legal persons involved in the commission of any of these crimes will be criminally punished: against health (fraction III); influence peddling (fraction V); bribery (fraction VI); counterfeiting and alteration of currency (fraction VII); habitual commercialization of stolen objects (fraction X); theft of vehicles, possession, trade or trafficking of stolen vehicles (section XI); fraud (section XII); concealment (section XIII); operations with resources of illicit origin (section XIV); against the environment (section XV); in the area of copyrights (section XVI).

Article 421 of the National Code of Criminal Procedures (CNPP) states that criminal action shall be brought against a senior manager or representative of a legal person or against a legal person, with

except for state entities, who commits a criminal act with the means or representing the company, being able to exercise legal action against the natural person and/or the legal entity. Article 422 of the CNPP stipulates the sanctions to which legal persons may be subject: pecuniary amount (penalty or fine); confiscation of means, instruments for production or finished products; publication of the sentence in public media and dissolution of the company, among others.

According to Ontiveros (2018), articles 421 to 425 of the CNPP, provide a special procedure to punish legal persons, allowing to investigate, charge and convict those who commit crimes; This has led to the emergence in Mexico of the theory and practice of (criminal) regulatory compliance, which, unlike the traditional one, implies contemplating a criminal investigation apparatus within the company, outlining custody chain protocols, establishing internal investigation procedures and implementing an outline of sanctions for those who violate the stipulations.

Article 25 of the General Law of Administrative Responsibilities (LGRA) indicates that when determining the liability of legal entities, it must be assessed whether they have an integrity policy, which must basically contain the following elements: I) Organizational and procedures manual (clear and complete), where functions and responsibilities are demarcated; II) Disclosed code of conduct, which has systems and mechanism of application in reality; III) Appropriate and effective internal control, sentinel and audit systems, presented periodically; in addition to other aspects such as adequate means of denunciation; training procedures; and of mechanisms of transparency of its activities.

Regarding other standards that could be applied in Mexico, related to regulatory compliance in criminal matters, Camacho and Bello (2023) take up Ontiveros' work of two years ago, listing the following:

- ISO 9000 Quality Management Systems: which does not certify products or services, but systems and processes. It includes 9001 (requirements) and 9004 (guidelines for performance improvement).
- ISO 14000 Environmental Management Systems: deriving the standards 14001, 14010, 14011, 14012, 14020 to 14024, 14040, 14050 and 14060. ISO 14040, which deals with principles and experiences of environmental impacts, stands out.
- ISO 26000 Guidance on Social Responsibility: not certifiable and ethical in nature. Based on reputation, prestige and awareness of the company.
- ISO 27000 Information Security Systems Management: has certification, divided into 27001 and 27002.
- ISO 31000 Risk Management: not certifiable and complements ISO 9000.
- ISO 37000 Anti-Bribery Management Systems: is certifiable in some countries. The ISO 37001

conceptualizes bribery as the offer, acceptance or solicitation of money or any action that represents a monetary value, so that an organization or its representative acts or refrains from acting for its own benefit in a negotiation.

- ISO 45001 Occupational Health and Safety Management System: issued by the International Labor Organization (ILO).
- ISO 50001 Energy Management Systems: in order to regulate sustainability.

One of the active learning methodologies that can be used to achieve the participation and awareness of the company's employees is gamification, understood by Soler (2020) as: "Learning is the process through which skills, abilities, knowledge, behaviors and values are acquired as a result of study, experience, instruction, reasoning and observation" (p. 8).

Regarding the aforementioned topic, Villalobos (2022) states that gamification is based on obtaining knowledge through games, and as the student progresses through the program he/she will obtain stimuli and distinctions to reach the end of the project or activity, which is why it is one of the activities that most motivates and awakens the interest of students.

As for the use of quantitative information, Transparency International's Corruption Perceptions Index (CPI) (2021) measures the corruption of each nation, comparing it in a global ranking, product of the perceptions of corruption expressed by businessmen and experts on this issue. The CPI is calculated on the basis of surveys and evaluations of corruption; the closer a country is to 100 percent, the less corrupt it is, while if it is around zero, it is highly corrupt.

The CPI (Transparency International, 2021) measures corruption in the public sector exclusively, in the following activities: bribery; misappropriation of public funds; public officials who take advantage of their position and go unpunished; government stance to fight corruption; excessive government bureaucracy; existence of nepotism in appointments of public managers and officials; transparency of personal finances of public officials; legal protection for those who report bribery and corruption; access to public information. The CPI does not cover the following activities: direct experiences of the public in acts of corruption; tax fraud; illicit financial flows; personnel facilitating corruption (lawyers, accountants); money laundering; corruption in the private or business sector; and informal markets.

The CPI for 2022 (Transparency International, 2023) is headed by Denmark with 90 points; Germany with 79 points ranks 9th; Canada and Uruguay with 74 points rank 14th; the United States of America with 69 points and rank 24th; Chile with 67 points and rank 27th; Spain with 60 points and rank 35th; Costa Rica with 54 points and rank 48th; Colombia with 39 points and rank 91st; Argentina and Brazil with 38 points and rank 94th; Ecuador and Peru with 36 points and rank 101st; and Mexico with 31 points and rank 126th (out of 180 countries).

It is worth mentioning that Uruguay always ranks among the top positions in Latin America in several economic and social indicators, and the corruption perception index is no exception, with 74 points, tied with Canada in 14th place worldwide, above the United States. It is also worth mentioning that Chile and Costa Rica, in other socioeconomic indicators, always rank among the first places. Below Mexico in terms of perception of corruption are: Paraguay, Nicaragua, Honduras, Guatemala and Venezuela (177th place out of 180 countries).

At the end of Calderón Hinojosa's six-year term in 2012, according to Transparency International (2023), Mexico had CPI of 34 points, reaching CPI in 2014 to 35 points (maximum score in eleven years from 2012 to 2022), declining at the end of Peña Nieto's administration in 2018, where CPI is 28 points (losing six percentage points). In the last three years of López Obrador's administration the CPI is 31 points, recovering by three percentage points.

Although in 1995 (the first year of CPI measurement) another methodology was used, Mexico calculated a CPI of 3.18 [which could be equated to 31.8]; in 2000, the last year of the Institutional Revolutionary Party (PRI) presidency, the CPI was 3.3, which was maintained until the departure of Fox Quezada in 2006, falling to 3.0 until 2011, the last year of calculation with the previous methodology, which corresponds to the fifth year of Calderón's government.

Regulatory compliance of two companies in the housing sector: Geo and Sare

In this part of the paper, reference will be made to two companies in the housing sector, which a little over a decade ago began their debacle and suffered a loss of almost their entire share price (both shares fell by more than 99%, making them worthless for some years now): Corporación Geo B and Sare B.

The construction industry has been considered one of the most important sectors that contribute to the Gross Domestic Product (GDP) of different regions or nations, so that economic growth and integral development (economic, social, sustainable and human) cannot be conceived without the active participation of this industrial sector; having constant and permanent interrelationships with branches such as steel, cement, gypsum and lime, aluminum, glass and construction machinery (Villalobos, 2020).

The Securities Market Law (LMV) stipulates the regulation that refers to regulatory compliance, referring to the performance of malpractices, concealment of information or any activity that is considered contrary to ethics and the code of conduct. Article 38 of the LMV states that the liability derived from the acts of the firms listed on the stock exchange and which cause patrimonial damage may be exercised by the shareholders or partners of the stock exchange corporation, individually or collectively, when they own shares with voting rights or when they represent at least five percent of the capital stock (section II).

In accordance with the aforementioned numeral, minority shareholders may not request restitution of the pecuniary damage suffered, unless hundreds or thousands of them join together, which concentrate

5% of the shares of the stock exchange company. The penultimate paragraph of Article 38 of the LMV stipulates that the statute of limitations for actions aimed at demanding liability will expire in five years, counted from the date of the act considered as property damage.

Geo was founded in 1973 by Luis Orvañanos Lascuráin, an architect graduated from the Universidad Iberoamericana, which over the course of four decades grew exponentially and is recognized as the largest housing construction company in Mexico and Latin America, but this success story took a turn in 2011, when the price of its shares began to collapse on the BMV, until it was suspended in 2013 (Maldonado, 2015).

In 1990 it coined the name of Corporación Geo and in 1994 it became the first company in the housing sector to be listed on the BMV, thus becoming a powerful builder of low-income housing, with the support of several banks and above all with the backing and financing of the Instituto del Fondo Nacional de la Vivienda para los Trabajadores (INFONAVIT), accumulating enormous resources from investors, for which the top executives were described as 'the midas kings of housing', tempting the purchase of a state-of-the-art private airplane for their transfers (Maldonado, 2015).

Corporación Geo in its heyday built 50 thousand homes per year in Mexico, with which it managed to place more than 600 thousand homes in the market, but in 2006 the arrival of Gilberto Perezalonso as director caused problems in the consortium, with the departure of its former partners and senior executives, which together with changes in the policies of the Mexican housing sector, caused Geo's shares to be suspended from the BMV in 2013 (Maldonado, 2015).

According to the profile of the issuer Geo presented in the BMV, it delivered 655 thousand homes that benefited 2.4 million people, had a presence in 22 states (of the 32 in the nation) and covered 80% of the total population of the country; before its resounding fall, its shares reached their maximum in December 2010, when they were trading at 45.00 pesos, but already in full collapse, in 2015 Corporation Geo decrees a '*split*', with which for every 100 shares that an investor had, they are converted to 1 single share, in such a way that it 'pulverizes' in one fell swoop (99%) the participation in the capital of its shareholders, a decision taken exclusively by the top management of the company (Villalobos, 2020).

The *split* is the segmentation or reduction of the value of the shares in a company, which results in the reduction of the nominal value of the shares issued. In theory, if a company has a capital stock of 5 million pesos, represented by 10 thousand shares of 500 pesos each, when a 2-for-1 split is stipulated, there would be 20 thousand outstanding shares of 250 pesos each, with the same capital stock of 5 million pesos. But this did not happen with the Geo B shares, where only 1 share is recognized for every 100 shares thereafter.

Since 2001, companies listed on the BMV have been required to declare their degree of adherence to the Code of Best Corporate Practices, among the issuers that stood out for their good management of the BMV's Price and Quotations Index (IPC) were: Elektra with 91%; GF Inbur with 87%; Alfa 85%; Desc 83%; ICA 81%; Tlevisa and Contal with 78%; CIE 77%; Argos 76% and Geo 75% (Avila et al, 2022). Thus, Geo was in tenth place in terms of compliance with the best corporate practices of Mexican companies listed on the BMV.

The code of best corporate practices serves to evaluate the quality of corporate governance of stock exchange companies, in such a way that following these practices provides access to national and international sources of financing and is considered a reward for shareholders; conversely, "ineffective corporate governance presents a competitive disadvantage for the company, entailing a financial risk and scaring away investors" (Avila et al, 2022, p. 46).

In the boom times, Orvañanos, Executive Chairman of the Board of Directors of Corporación Geo, receives the Business Merit Award in 2006 and Geo B shares reach their highest price in their history: 69 pesos, in February 2007. In the twilight of the zenith in 2011, Corporación Geo is recognized as a Socially Responsible Company (ESR) for the sixth consecutive year.

According to former employees of Casas Geo, interviewed by journalist Méndez (2015), "the financial crisis the company is going through is due to the fact that its main partners used the company's and workers' money to finance electoral campaigns and to become millionaires" (para. 1). In the same sense, Pérez Espinosa (president of the Frente Mexiquense en Defensa de una Vivienda Digna), states:

Luis Orvañanos Lascuráin used a network of notaries public from all over the country, who signed purchase and sale contracts and mortgage guarantee contracts, in order to obtain illicitly obtained resources, derived from the custody and administration of the funds of Sociedad Hipotecaria Federal, Infonavit and Fovissste. These resources of illicit origin were obtained with the notarial instruments when the sale of the properties had not even been authorized, much less the construction of the housing complexes (Méndez, 2015, para. 7).

For its part, Sare Holding was incorporated in 1997, it is a company created by the Sanchez Carbajal family, being one of the largest housing construction companies in the first decade of the present century; and in 2003 they enter to list shares on the BMV, but in 2011 the company began to have significant financial problems being full of debts (Mata, 2015).

From the end of October 2003 to the end of 2007, Sare B shares reach a cumulative return of 127%, according to investment advisor I. Cortés (Cervantes, 2019) would point out that Sare's financial statements were very strong, but they made future planning by overestimating their revenues and the growth they would have. From 2008 onwards, a cocktail of bad decisions was made for Sare, its revenues and profits began to fall, increasing its debt, a fall that would last a decade and for which it would completely lose its share value in 2019.

Cervantes (2019) states in this regard: "Whoever invested in Sare shares on May 25, 2007 -the date on which the price reached an all-time high- and kept those shares, today has a 99.93% loss" (para. 4). Sare B's last trading day reached a price per share of 0.015 pesos (one and a half cents in peso terms) on May 16, 2019.

The year 2006 is recognized as the best year for housing construction companies listed on the BMV, "Casas Geo marketed 41,872 homes; Homex 43,044 and Sare 11,000" (Mata, 2015, para. 6). Investment advisor I. Cortés (Cervantes, 2019) would point out that between 2003 and 2007, the housing sector presented very high signs of growth, reaching historic records, which is why investments in the housing area were the best priced in Mexico. A figure that can give us an idea of the volume of resources managed by the six construction companies on the BMV (Geo, Sare, Ara, Hogar, Urbi and Homex), is that they represented 6% of the total resources of the Mexican stock market in the middle of the first decade of the 21st century.

As an antecedent to the housing policy, in the mid-nineties of the last century, its conception in Mexico changed from satisfying a basic need to becoming a commodity, with which we speak of a facilitating State, which establishes that, in the construction of housing, the real estate and financial sectors will be fully and jointly interrelated, limiting public participation to subsidiary work (Salinas and Soto, 2019; cited by Villalobos, 2020).

During the Fox Quezada and Calderón Hinojosa administrations, the housing model favored massive horizontal construction, which is why the country's main construction companies listed on the BMV acquired large amounts of land reserves, many of which were located far from urban population centers; With the arrival of Peña Nieto to the presidency, the rules of operation of the housing policy underwent transformations, dedicating the construction effort to urbanized areas, which will have basic infrastructure and will be close to work centers and with the application of housing subsidies (Cervantes, 2019).

The reserves purchased by Geo and Sare (among other housing developers) remained unused, as did more than half a million homes that were outside the urban areas with the highest concentration of population, leaving these homes abandoned and wasting resources of stratospheric magnitude.

INFONAVIT superficially granted loans to housing construction companies under a scheme known as 70-70, which granted them advances when they had made 70% progress in their works, without even having sold the properties, as stated by Solís, Flores and Muñoz (quoted by Villalobos, 2020) that with the National Housing Pact, construction companies listed on the BMV received a subsidy that only benefited their senior management and not the purchasers of real estate, when the companies were granted resources with only two thirds of the work completed.

Regarding this abnormal form of extraordinary financing, Villalobos (2020) states that it was a fundamental factor in explaining the crisis that arose in the housing sector:

This aspect of considering as sales the works with 60 or 70% progress in full construction and that still did not have a regularized process of formal sale to individuals, is similar to what could be considered creative accounting or accounting malpractice (p. 32).

To conclude this paper, in agreement with Egea Mendoza and Salinas & Soto (cited by Vi-

Ilalobos, 2020), the main causes of the crisis and the debacle of the housing construction companies listed on the BMV are the following:

- The *sub-prime* credit and mortgage crisis in the United States in 2008: two or three years later, it had repercussions in the housing construction sector in Mexico, where there were also significant decreases in household income (with strong inflationary pressures) and a proliferation of consumer or final goods loans, which were used to reactivate the national economy.
- Fraud and corruption committed by shareholders and senior management: onerous expenditures by shareholders and senior management (as in the case of the private airplane they acquired), as well as the use of creative accounting and bad practices in inflating their sales, when they had not even built 70% of the project and even less was sold.
- No supervision by INFONAVIT and the Mexican Stock Exchange (BMV): the former was guilty of anomalies by granting loans to construction companies with two thirds of the work completed and without having sales contracts. The BMV did not supervise the compliance with the Code of Best Corporate Practices and/or the code of good (ethical) governance, even when they announced that Corporación Geo was ranked 10th among the companies that had complied with the highest percentage of regulatory compliance.
- Erroneous decisions of the shareholders: with their activity of building large housing complexes, but which lacked public services and were located far from labor sources or urban areas, thus leading to the abandonment of the houses, which resulted in unmarketed properties, unused buildings and loans that did not reach their recipients. In addition to the acquisition of land areas that were never built.
- Modifications to public housing policy: since 2013, during the Peña Nieto presidency, the aim has been to promote the orderly growth of cities and contain the urban sprawl, requiring respect for ecological and administrative parameters, which reduces the demand for new housing and stimulates the acquisition of used housing.

In order to answer the questions posed at the beginning of this article, the following are presented:

5. CONCLUSIONS

As of September 7, 2017, the NMX-CC-19600-IM- NC-2017, which aims to implement and optimize the management system for effective and responsible regulatory compliance, is applicable in our country. The aforementioned standard is a twin of the international ISO 19600:2014. In Mexico, in general terms, regulatory compliance is regulated by the Federal Criminal Code (numeral 11 Bis), the National Code of Criminal Procedures (articles 421 and 422) and the National Code of Criminal Procedures (articles 421 and 422).

and the General Law of Administrative Responsibilities (Article 25).

The Corruption Perceptions Index (CPI) is used as a global comparison. The closer a country is to 100 points, the less corrupt it is, the closer it is to zero, the more corrupt it is. For the year 2022, Mexico has 31 CPI points and is in position 126 (out of 180 nations); Canada and Uruguay with 74 points (position 14); the United States with 69 points (place 24); Chile with 67 points (position 27) and Costa Rica with 54 points (place 48). In countries such as Colombia, Argentina and Brazil there is less perception of corruption than in Mexico, while Paraguay, Nicaragua, Honduras, Guatemala and Venezuela (177th place out of 180) have a higher corruption index.

In the area of regulatory compliance, the senior management of Corporación Geo and Sare Hol- ding incurred in the following liabilities: (a) Fraud and corruption in the presentation of their financial indicators (using 'creative accounting' by considering as sales constructions with less than 70% progress of work); (b) Use of onerous or lavish expenses (such as the private airplane acquired in Geo); (c) Erroneous decisions in the purchase of land and construction of more than 500 thousand homes in areas that were not serviced, far from sources of work and large urban areas; d) Poor or non-existent supervision by INFONAVIT, when granting credits to the two construction companies, when the work was not finished and the houses were not sold; likewise, the Mexican Stock Exchange (BMV) is responsible for not having demanded full compliance with the Code of Best Corporate Practices, when they pompously boasted that Corporación Geo was located in the tenth position of listed companies in the Stock Exchange with 75% compliance with this code.

Two other causes or events that led to the collapse and annihilation of Geo and Sare are: (a) The delayed effect of the real estate and sub-prime credit crisis in the United States in 2008, which led to significant decreases in household income with strong inflationary pressures, causing credits to be dedicated to consumption and not to the acquisition of housing; (b) Change to the national public policy on housing, which occurs from 2013 with the arrival to the presidency of Peña Nieto, seeking other priorities related to housing developments.

Finally, the structures and organization of the aforementioned companies, as well as historical aspects, should be addressed in future works, where a technical analysis of the actions, legal processes that would have corresponded to action for fraud, corruption and presentation of financial information that did not correspond to real data, should be carried out.

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