

Santiago Resico
 LATAM Strategist
 sresico@tpcgco.com
 +54 11 4898 6615

Strategy Flash – Ecuador

March 6, 2023

Ecuador Strategy Flash

Over the weekend, the Assembly approved the report on the Encuentro Case, recommending Mr. Lasso be impeached with an overwhelming majority.

Over the weekend, the Assembly approved the report on the Encuentro Case, recommending Mr. Lasso be impeached with an overwhelming majority. In Saturday’s Assembly session, the members of the legislative organ voted to approve the report presented by the special commission, which was studying the “Encuentro case,” investigation which allegedly tied Mr. Lasso’s close entourage with several corruption cases. The final score left the government caucus completely steamrolled, as the report was approved with 104 votes in favor, 18 against, and 3 abstentions, while 12 assembly members failed to attend the session. The only bloc to vote against the measure was the administration’s (BAN). In contrast, UNES (Correism), the ID (Izquierda Democrática), Pachakutik, the PSC (Social Christian Party), and several independent legislators voted in favor. With the report approved, correist legislator Mrs. Viviana Veloz stated that the correist caucus would file for impeachment this week. The process requires the petition to impeach the president to be signed by at least 1/3 of the Assembly (46 seats), manpower which the correist bloc does have.

The next steps would require the Constitutional Court to rule in favor or against the impeachment, archiving the case or allowing the Assembly to proceed.

The next steps would require the Constitutional Court to rule in favor or against the impeachment, archiving the case or allowing the Assembly to proceed. After the petition for the impeachment is presented in the Assembly, its ruling organ, the CAL (controlled by correism), has three days to present the case to the Constitutional Court. Said organ will then have to revise the evidence presented and assure the compliance of two key items. (i) That the solicitation has been proposed according to the Constitution (ii) That in the request, the charges of which Mr. Lasso is accused of are singled out and if, due to the legal classification made in the request, it fits into the type of infractions foreseen as grounds for impeachment. Having analyzed said requisites, the Constitutional Court then must emit a verdict to either start the impeachment or to archive it if any of the two conditions above are not satisfied. If the Court does greenlight the attempt, the CAL must send the corresponding documentation to the Control Commission. That legislative table must present its report, in which it could either recommend or not recommend the impeachment in a plenary session, following these deadlines: 10 days for the President to exercise his right to defense, 10 days to present and analyze evidence, and another 10 days for the preparation of the report. Once submitted, the president of the Assembly has up to five days to summon the legislative organ to impeach the president. Finally, in the session, 92 affirmative votes are needed for the impeachment to come to fruition, forcing Mr. Lasso to resign from his seat.

With this, the siege around Mr. Lasso is tightening, leaving the president with few alternatives to counter the opposition’s move.

With this, the siege around Mr. Lasso is tightening, leaving the president with few alternatives to counter the opposition’s move. With the opposition bent on ending Mr. Lasso’s tenure prematurely, and with the recent vote in the Assembly showcasing it could muster the votes needed to oust him, the main hope of the administration resides in the Constitutional Court to archive the petition for the impeachment, with the report recommending the impeachment on the grounds of crimes against the “security of the state” and “bribery and embezzlement.” If the court greenlights the impeachment, then the administration has two alternatives. On the one hand, it could hope that the non-correist votes to approve the report do not reflect an actual intention to impeach him but rather are a political play to guarantee that the court has to investigate the case. On the other hand, the administration has the faculty of calling for a Muerte cruzada, dissolving the Assembly. This would come with possible indigenous manifestations, as Mr. Iza already warned last week (for more details, click [here](#)). It would probably ramp up the social pressure in the country to levels that could prove too much for the administration to manage. All in all, the impeachment attempt is going ahead as envisaged, as in the Assembly, with the opposition’s overwhelming majority, the report was bound to be approved. Now, the two main roadblocks

towards the impeachment coming into fruition continue to be the Constitutional Court's verdict and, to a lesser extent, the administration's faculty to call the Muerte Cruzada.

TPCG Analysts & Staff

Research

Juan Manuel Pazos	Chief Economist	jmpazos@tpcgco.com	+54 11 4898-6606
Paula La Greca	Corporate Research Analyst	plagreca@tpcgco.com	+54 11 4898-6638
Federico Martin	Strategist	famartin@tpcgco.com	+54 11 4898-6633
Santiago Resico	LATAM Strategist	sresico@tpcgco.com	+54 11 4898-6615

Sales & Trading

Juan Manuel Truppia	Head of Sales & Trading	jmtruppia@tpcgco.com	+54 11 4898-6659
Juan Martin Longhi	S&T Director	jlonghi@tpcgco.com	+54 11 4898-6656
Lucia Rodriguez Pardina	S&T Director	lrodriguezpardina@tpcgco.com	+54 11 4898-6614
Agustina Guadalupe	Sales	aguadalupe@tpcgco.com	+54 11 4898-6682
Maria Pilar Hurtado	Sales	mhurtado@tpcgco.com	+54 11 4898-6616
Juan Ignacio Vergara	Sales	jivergara@tpcgco.com	+54 11 4898-1936
Santiago Baibiene	Sales	sbaibiene@tpcgco.com	+54 11 4898-6648
Pedro Nollmann	Sales	pnollmann@tpcgco.com	+54 11 4898-6617
María Ruiz de Castroviejo Salas	Sales	mruizdecastroviejo@tpcgco.com	+54 11 4898-6643
Victoria Faynbloch	Desk Analyst	vfaynbloch@tpcgco.com	+54 11 4898-6635
Felipe Freire	Trader	ffreire@tpcgco.com	+54 11 4898-1921
Homero Fernandez Bianco	Trader	hfbianco@tpcgco.com	+54 11 4898-6667
Andres Robertson	Trader	arobertson@tpcgco.com	+54 11 4898-6693

Corporate Banking

José Ramos	Head of Corporate Banking	jramos@tpcgco.com	+54 11 4898-6645
Camila Martinez	Corporate Sales	cmartinez@tpcgco.com	+54 11 4898-6621
Fernando Depierre	Corporate Sales	fdepierre@tpcgco.com	+54 11 4898-6636
Sol Silvestrini	Corporate Sales	ssilvestrini@tpcgco.com	+54 11 4898-6641
Nicolas Iglesias	Corporate Sales	niglesias@tpcgco.com	+54 11 4898-6612

Capital Markets

Fernando Lanus	Head of Capital Markets	flanus@tpcgco.com	+54 11 4898-6632
Nicolás Alperín	Investment Banking Analyst	nalperin@tpcgco.com	+54 11 4898-6604

Asset Management

Ileana Aiello	Portfolio Manager	iaiello@tpcgco.com	+54 11 4898-6611
Claudio Achaerandio	Portfolio Manager	catchaerandio@tpcgco.com	+54 11 4898-6618

Important Disclaimer

The document, and the information, opinions, estimates and recommendations expressed herein, have been prepared by TPCG Valores SAU to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. TPCG Valores SAU is not liable for giving notice of such changes or for updating the contents hereof. The document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall the document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to the document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare the report. Therefore, investors should make their own investment decisions considering the said circumstances and obtain such specialized advice as may be necessary.

The contents of the document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by TPCG Valores SAU, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. TPCG Valores SAU. accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance. The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment.

Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances; investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

TPCG Valores SAU. and/or any of its affiliates, as well as their respective directors, executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in the document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of the report, to the extent permitted by the applicable law.

TPCG Valores SAU or any of its affiliates' salespeople, traders and other professionals may provide oral or written market Commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, TPCG Valores SAU, or any of its affiliates' proprietary trading and investing businesses, may make investment decisions that are inconsistent with the recommendations expressed herein.

No part of the document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted without the prior written consent of TPCG Valores SAU. No part of the report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

For U.S. persons only

This report is a product of TPCG, which is the employer of the research analyst(s) who has prepared the informative report. The research analyst(s) preparing this report is/are resident(s) outside the United States (U.S.) and is/are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations.

This report is intended for distribution by TPCG only to U.S. Institutional Investors and Major U.S. Institutional Investors, as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC), in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a US Institutional Investors nor a Major U.S. Institutional Investor, as specified above, then he should not act upon this report and return it to the sender. Further, this report may not be copied, duplicated and/or transmitted to any U.S. person, which is not a U.S. Institutional Investor, nor a Major U.S. Institutional Investor.

In order to comply with the US regulations, our transactions with US Institutional Investors and Major US Institutional Investors are effected through the US-registered broker-dealer Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this report should be effected through Marco Polo or another U.S. registered broker dealer.