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Personal Financial Management

Mexico

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UPDATED 31 MARCH 2021

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How to use this deck

Relevant regulations

1. Banking
2. Payments
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This deck provides **an overview of the various regulations relevant to personal finance management in Mexico.**

Each slide in this deck provides high-level facts about each of the relevant regulations as well as a link to the original source.

The Cambridge Centre for Alternative Finance (CCAF) and BFA Global's Catalyst Fund have developed this deck to help fintech startups working in Mexico and those seeking to enter the Mexican fintech market navigate the regulatory environment.



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01 Banking



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Banking: Main regulators

The Ministry of Finance and Public Credit (SHCP)

SHCP delegates its authority to evaluate and authorize Fintechs to the Banking, Securities and Savings Unit (UBVA). The SHCP has the following roles: (i) Coordinate the stock market & banking sectors through units (e.g., UBVA); (ii) Evaluate the banking system through regulatory reports; (iii) Monitor Mexican banking operations, make requirements, study regulatory reports, review credit files, credit ratings, etc; and (iv) Regulate through the Unique Circular of Multiple Banks and the Circulars of Development Banks.

National Banking and Securities Commission (CNBV)

The CNBV's aim is to supervise and regulate, within the scope of its competence, the institutions that form the Mexican financial system, to ensure their stability and proper functioning, to maintain and promote the healthy and balanced development of that system, and to protect the public's interests. The CNBV is the authority for banking supervision.

National Commission for the Protection and Defence of Users of Financial Services (CONDUSEF)

CONDUSEF is the authority for the protection and defense of financial services users and aims to seek equity between parties strengthening users' legal security in their relationship with financial institutions.

Bank Savings Protection Institute (IPAB)

IPAB regulates the reorganization and liquidation of banking institutions and establishes corrective measures to prevent systemic risk.

Mexican Central Bank (Banxico)

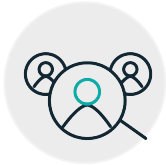
Banxico is the authority that regulates, through circulars, the provision and characteristics of financial services and their operations.

Financial Intelligence Unit (*Unidad de Inteligencia Financiera* (UIF))

UIF is the intelligence authority for AML/CFT which includes reception and analysis of:

- A. Suspicious activity reports
- B. Other information relevant to money laundering, related predicate offences and terrorist financing and for the dissemination of the results of such analysis.

Banking: Commercial Banks licensing



Who:

Applies to those who wish to establish a commercial bank (*Instituciones de Banca Múltiple*).

Permitted activities:

- **Active Operations** are loans and financing operations like consumers loans, simple credits, current account credits, among others.
- **Passive Operations** are bank deposits or issuance of bonds.
- **Service Operations** are financial leasing services, financial factoring, acting as a trustor, or safe deposit box services



How much:

- MXN \$53,747.00 (US\$2,500) for the analysis of an application.
- MXN \$790,395 (US\$37,000) for the authorization
- MXN \$2,529,264 (US\$119,000) for the start of operation



Capital requirements:

- Firms performing the permitted activities set forth in the Credit Institutions Act are required to maintain a paid-up share capital of 90 million Investment Units (UDIs) (US\$28 million).
- Banks that do not wish to operate with securities, being trustors, or grant services like safe deposit box services, among others, are required to maintain a paid-up share capital of 54 million UDIs (US\$17 million).
- Finally, those providing the basic services of deposits and loans are required to maintain a paid-up share capital of 36 million UDIs (US\$11.3 million)



How:

- An authorization from the federal government is required to operate as a commercial bank. The license is issued by the CNBV, following a resolution from its Governing Council and a favorable opinion from Banxico.
- Applications should be submitted to the CNBV and include:
 - Draft articles of association of the institution,
 - General plan for the functioning of the institution,
 - List of proposed shareholders and information about them,
 - List of proposed members of the Board of Directors and information about them, and
 - A deposit guarantee for an amount equal to ten percent of the minimum capital with which the institution is required to operate.

Banking: Popular Savings and Credit

Key regulations:

- Popular Savings and Credit Law
- Law to Regulate the Activities of Savings and Loan Cooperative Savings and Loan Societies
- Credit Union Law
- Law on Retirement Saving Systems

Main regulators:

- National Banking and Securities Commission (**CNBV**)
- National Commission for the Retirement Savings System (**CON SAR**)

Popular Finance Company (*Sociedad Financiera Popular* or “**SOFIPOS**”)

- SOFIPOS are microfinance institutions (MFIs) that are permitted to provide services to both their members and their clients.
- They are permitted to receive deposits, issue and operate debit cards, grant loans, receive payment orders and transfers, and receive payments for services, among others.
- A favorable opinion of a Federation* and authorization at the discretion of the CNBV is required for authorization as a SOFPIO.
- SOFIPOs are divided in four levels depending on the services they provide.
- Licensing fees are MXN \$28,042 (US\$1,318)

Other types of institutions in this category include:

- **Savings and Loan Cooperative Societies** (*Sociedades Cooperativas de Ahorro y Préstamo* or “**SOCAPs**”)
- **Credit Unions** (*Uniones de Crédito* or “**CUs**”).
- **Retirement Fund Administrators** (*Administradoras de Fondos para el Retiro* or “**AFORES**”)
- **Specialised Retirement Fund Investment Companies** (*Sociedades de Inversión Especializadas de Fondos para el Retiro* or “**SIEFORES**”)

*A Federation is a public institution that shall be constituted exclusively with the voluntary grouping of SOFIPOS, and shall be authorised by the CNBV, for the performance of auxiliary supervisory faculties. The Federations can formulate observations and recommendations to SOFIPOS, provide technical, legal, financial and training advisory services to SOFIPOS and can standardise, as appropriate, regulations, operational procedures and formalities, as well as accounting and IT systems of the SOFIPOS.

Banking: Deposit insurance

Key regulation:

The Bank Saving Protection Law established the Institute for the Protection of Bank Savings (*Instituto para la protección del ahorro bancario* or “**IPAB**”), which administers the bank savings protection system.

IPAB obligations:

- IPAB is responsible for the guarantee of deposits and loans.
- IPAB will pay the balance of guaranteed obligations, including the total amount plus any interest due, up to an amount equivalent to 400,000 UDIs (approximately US\$126,192) per person, individual, or legal entity, regardless of the number and type of the recipient party's guaranteed obligations.

Bank obligations:

- Banks are required to inform their customer of this funds guarantee.
- Institutions are required to pay the IPAB the ordinary and extraordinary fees established by the Governing Board under the terms and conditions set forth in Chapter III of the Bank Saving Protection Law.

Scope:

- Applies to banks only.
- Regulated fintech institutions, as defined in the Fintech Law, do not fall under this guarantee. They do not have to pay ordinary or extraordinary fees, but their users do not receive IPAB coverage.
- In the case of Debt Crowdfunding, the loan is not structured as a deposit but as a security.

Banking: Agent regulations

General Requirements for Bank Agents:

For public-facing activities, third parties contracted by institutions must act in the name and on behalf of the financial institution, and the relationship must be documented with a commercial commission contract.

In addition, the institution must have policies and procedures in place to monitor, evaluate, and report on the performance of the third party or bank agent to ensure their compliance with contractual obligations.

Activities that the bank agent can perform:

- Note: CNBV authorization is required for institutions to enter into commercial commissions for the purpose of carrying out the activities described below (except for withdrawals).
- Payments for services in cash, charged to credit or debit cards, or with checks drawn at the expense of the issuing institution.
- Cash withdrawals made by the customer
- Deposits made in cash or by check drawn on the client's or a third party's account.
- Credit payments in favor of the institution itself or another institution.
- Consultations of balances and movements of accounts.
- Opening Tier 1, 2, and 3 bank accounts and securities management accounts with customers, subject to transaction limits.
- Purchase of US dollars in cash exclusively with natural persons on behalf of the institutions themselves.
- CNBV authorization is required for institutions to enter into commercial commissions for the purpose of carrying out the activities described below (except withdrawal).

Limits: There are transactional limits for check withdrawals and payments of 1,500 UDIs (MXN\$10,323/US\$516), deposit limits of 4,000 UDIs (MXN\$27,528/US\$1376), and cash purchase transactions of US\$250.

Banking: Agent regulations

The provisions of the Bank Agents regulation are not applicable when the following services are contracted by the institutions:

- Professional or consultancy services including mandates and commissions.
- Manufacture, delivery or distribution of credit cards and debit cards.
- Custody and transport of money.
- Portfolio recovery.
- Maintenance of equipment and networked computer systems.
- Services related to administration, such as cleaning, security, messaging and correspondence, and storage and physical safekeeping of information and documentation, among others.
- Processing credit operations in the promotion and evaluation phase.



02 Payments



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Payment networks: General overview

Main regulator:

Central Bank of Mexico (Banxico)

Key regulation:

General Provisions Applicable to Networks of Means of Payments (*Disposiciones de Carácter General Aplicables a Medios de Disposición* or “DCGMD”).

Main relevant participants:

- **Acquirer.** Provides payment services to Aggregators on the payment card networks and the infrastructure to connect to these networks.
- **Aggregator.** Accepts card payments on behalf of payment recipients and provides the necessary network infrastructure.
- **Issuer.** Issues cards, receives payment authorization requests from the Acquirer through the Card Payments Clearing House, and generates the respective payment authorizations, payment rejections, refunds, and adjustments to send to the payment receiver through the Clearing House and to the relevant Acquirer.
- Other participants include Card Payments Clearing House, Brand Owner, Specialized Companies, and Payment Recipients. Only Clearing Houses require an authorization from Banxico.

Payments: Becoming a money transmitter

Key regulation:

General Law for Credit Organizations and Auxiliary Credit Activities (*Ley General para las Organizaciones y Actividades Auxiliares del Crédito* or “LGOAAC”)

Main regulator:

CNBV

Scope:

Only corporations and limited liability companies with a valid registration as Money Transmitters* with CNBV may transfer funds.

How:

- The registration fee is MXN\$2,528 (US\$119).
- Money Transmitters must have physical establishments.
- The application must include a information on the proposed shareholders of the Money Transmitter.
- The Money Transmitter must obtain a favorable technical opinion from the CNBV regarding AML/CFT requirements.
- Registration may be revoked by the CNBV if the Money Transmitter does not comply with the provisions in LGOAAC and subsequent provisions.

*Money Transmitters are defined in the LGOAAC as “corporations which, in exchange for the payment of a specific fee, profit or gain, receives in Mexico resources in national or foreign currency, directly at their offices, for the sole purpose of transferring them, in accordance with the instructions of the sender, abroad, to another place within the national territory or to deliver them, in a single payment, at a foreign country where they are received, to the designated beneficiary.”

Payment: E-money and wallets

Main regulators:

Banxico, SCHP, CNBV, CONDUSEF, CONSAR (which supervises retirement savings systems) and National Insurance and Bonding Commission (Comisión Nacional de Seguros y Fianzas or “CNSF”), which oversees insurance institutions.

Key regulation:

The Fintech Law created two types of Fintech institutions: (i) Financing Collective Institutions (IFC); and (ii) Electronic Payment Funds Institution (IFPE)). **This section focuses on IFPEs.**

* FPEs are defined in Article 23 of the Fintech Law, and exclusions, such as loyalty/reward points and money transfers, are set out in Article 24.

**The terms “issue”, “administer”, “redeem” and “transfer”, which are the “Core Activities”, are defined in Article 22 of the Fintech Law.

*** Banxico may allow IFPEs to offer their customers non-monetary benefits. The resources received by IFPEs for the issuance of electronic payment funds are not considered to be bank deposits

Electronic Payment Funds Institution (IFPE):

- They issue, administer, redeem and transmit electronic payment funds (*Fondos de Pago Electrónico* or “FPE”)* through digital platforms or any other electronic mean of communication (the “Core Activities”)**.
- The requirements, obligations, and guidance to form an IFPE in Mexico can be found in this [guide](#) issued by the CNBV.
- IFPEs are only permitted to undertake activities specifically mentioned in the Fintech Law. All other activities are, therefore, *de facto* not permitted, including paying interest to customers***.
- In addition to the Core Activities, they may only carry out the following activities:
 - Issue, market, or administer instruments for the disposal FPE.
 - Money transmission services.
 - Provide services related to the networks of means of disposal referred to in the Law on Transparency and Organisation of Financial Services .
 - Grant overdraft credits or loans for the accounts they manage, derived solely from the transmission of FPE (sole form of credit permitted).
 - Transact with virtual assets under the terms of the provisions of the Fintech Law.
 - Obtain loans and credits from any person, national or foreign, for the compliance with its corporate purpose, among others.

Payments: Licensing ITFs, including IFPEs

Who:

The two types of fintech institutions (ITFs): (i) Financing Collective Institutions (IFC); and (ii) Electronic Payment Funds Institution (IFPE) require an authorization from the CNBV.

Those interested in obtaining ITF authorization are required to:

- Be incorporated under Mexican law.
- Include in its corporate purpose, the performance, on a regular or professional basis, of any of the activities provided for in the Fintech Law.
- Establish its domicile in Mexico.

How much:

Currently there is no licensing fee applicable to fintech institutions, however a reform to the Federal Law on Rights (*Ley Federal de Derechos*) may change this.

Capital requirements:

Minimum capital depends on the type of activities and risks. It varies from 500,000 to 700,000 UDIs (US\$157,740 to US\$220,836).

Timing:

Rulators are required to approve the institution in 90 working days unless there is an explicit provision otherwise

Application process:*

The application must be accompanied by:

- Public deed granting sufficient powers to the representatives of the applicants
- Draft articles of association that comply with the requirements set forth in the Fintech Law
- Business plan and business continuity plan, including succession plans
- Policies for disclosure of risks and responsibilities
- Policies regarding the control of operational risks
- Policies for solving possible conflicts of interest
- Anti-fraud/AML policies
- Detailed shareholder information
- Description of the financial model
- Projected financial statements for the first three years of operation

Secondary legislation also mandates additional requirements.

*The CNBV has issued specific guides for IFPE and IFC regarding applications for authorization. See slide 36.

Sources: [Ley para Regular las Instituciones de Tecnología Financiera](#), [CNBV IFPE Guide](#), [LEY FEDERAL DE DERECHOS](#), [DISPOSICIONES DE CARÁCTER GENERAL APLICABLES A LAS INSTITUCIONES DE TECNOLOGÍA FINANCIERA, ANEXO 1](#), [ANEXO 2](#), [ANEXO 3](#), [ANEXO 4](#), [ANEXO 20](#), [DISPOSICIONES DE CARÁCTER GENERAL A QUE SE REFIERE EL ARTÍCULO 58 DE LA LEY PARA REGULAR LAS INSTITUCIONES DE TECNOLOGÍA FINANCIERA](#).



03

Credit



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Credit: Overview & SOFOMES

- It is not required by law to have an authorization, registration, or concession to provide credit. Further, peer to peer lending is not subject to specific regulation/requirement.*
- Notwithstanding the above, there are specific financial entities that are typically used for credit placement in Mexico called **Multiple Purpose Financial Companies (Sociedad Financiera de Objeto Múltiple or "SOFOMES")**
 - SOFOMES are public limited companies registered with **CONDUSEF**, whose main purpose is to grant credit, financial leasing, or financial factoring. Most MFIs are SOFOMES.
 - SOFOMES are primarily regulated by the General Law for Credit Organizations and Auxiliary Credit Activities (*Ley General para las Organizaciones y Actividades Auxiliares del Crédito* or "LGOAAC")
 - SOFOMES can be regulated (*Sociedad Financiera de Objeto Múltiple, Entidad Regulada* or "**SOFOMES E.R.**") or unregulated (*Sociedad Financiera de Objeto Múltiple, Entidad No Regulada* or "**SOFOMES E.N.R.**")
 - There are three types of **SOFOMES E.R.:**
 - Those held/controlled by credit institutions, popular financial companies (SOFIPOS) or savings and loan cooperative societies (SOCAPS).
 - Those that issue debt securities at their own expense and are registered in the National Securities Registry in accordance with the Securities Market Law.
 - Those approved by the CNBV as a regulated entity.
 - Main elements of **SOFOMES E.N.R.:**
 - Includes all other multiple purpose financial companies that do not fall into a SOFOMES ER category.
 - SOFOMES E.N.R. are also subject to inspection and surveillance by the CNBV but only to verify compliance with AML/CFT requirements.

Credit: Registration process for SOFOMES

Registration fee:

The process is free but is subject to a variable annual fee of MXN \$42,301.04 (US\$1,988.07)

Registration process:

SOFOMES need to register with the Register of Financial Service Providers by the National Commission (*Sistema de Registro de Prestadores de Servicios Financieros* or “SIPRES”)

The application process includes:

- Submitting draft articles of association to CONDUSEF for their review.
- CONDUSEF responding with a favorable or unfavorable opinion through SIPRES within a period of no more than thirty working days from the date of receipt of the request.
- Once a favorable opinion from CONDUSEF has been obtained, the applicant has a period of thirty working days to incorporate the SOFOM.

Obligations:

- The main provisions are set out in the General Law for Credit Organizations and Auxiliary Credit Activities (LGOAAC), according to the type of SOFOMES E.N.R. must provide information/documentation required by SHCP, Banxico, CONDUSEF, and the CNBV and may be sanctioned if they do not provide correct information within the indicated time limits.
- SOFOMES E.N.R. must receive a technical opinion on AML/CFT from CNBV before registering with CONDUSEF at a cost of MXN\$26,129.40 (US\$1,228.10).

Credit: Credit Bureaus

- **The Law to Regulate Credit Information Companies** provides a framework for the exchange of information between credit bureaus and lenders.
- Amongst other requirements, it prescribes the conditions under which data subjects' credit history may be shared and states that only financial institutions (including SOFOMOS E.R.), commercial companies and SOFOMES E.N.R. may use the information provided by the respective bureau.
- The bureaus may only provide information to a user when it has the express authorization of the data subject.
- The bureaus are liable for damages caused to clients by providing information when there is gross negligence, willful misconduct or bad faith when handling the data. Lenders could also be liable for any damage they cause by providing such information.

The FICO logo is displayed in a dark blue, bold, sans-serif font. The letters are closely spaced, and a small registered trademark symbol (®) is located at the top right of the letter 'O'.The logo for Círculo de crédito features a stylized circular emblem above the text. The emblem consists of a blue outer ring and a yellow inner circle, with a white space between them. Below the emblem, the word "círculo" is written in a large, bold, blue sans-serif font, and "de crédito" is written in a smaller, blue sans-serif font directly underneath.

I

04 Investment



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Investment: Licensing process

Key regulations: Securities Market Law (*Ley del Mercado de Valores* or “LMV”) regulates the registration of securities* in the National Securities Registry (RNV) and the offering and intermediation of securities.

The Investment Funds Law (*Ley de Fondos de Inversión* or “LFI”) regulates the organization and operation of investment funds.

Main regulator: National Banking and Securities Commission (CNBV)

Licensing process:

- **Brokerage Firms.** To organize and operate as a brokerage firm, authorization is required from the CNBV, subject to the prior agreement of its Governing Board. Authorizations are not transferable and do not imply certification of the brokerage firms’ solvency.
- The licensing fees are MXN\$30,087 (US\$1,414) for the analysis, MXN\$436,298 (US\$20,505) for the authorization, and MXN\$1,343,419 (US\$63,138) for the start of operations

- **Investment Funds.** To organize and operate as a company that manages systems to facilitate securities transactions, authorization is required from the CNBV, subject to the prior agreement of its Governing Board. These authorizations are not transferable.
- The specific process to request authorizations or concessions is described in the LMV for brokerage firms and in the LFI for investment funds.

**LMV defines securities as: “shares, partnership interests, debentures, bonds, warrants, certificates, promissory notes, bills of exchange and other debt securities, whether or not registered in the RNV, which may circulate on the securities markets referred to in the LMV, which are issued in series or in masse and represent the share capital of a legal person, a proportional part of an asset or the participation in a collective credit or any individual credit right, under the terms of the applicable national or foreign laws”*

Investment: Overview of Crowdfunding

- Financing Collective Institutions (IFC), a type of crowdfunding, is one of two types of ITFs authorized pursuant to the Fintech Law.
- IFCs “connects applicants (*solicitantes*) with investors (“*inversionistas*”) who wish to provide financing for the applicant's project through computer applications, interfaces, websites, or any other electronic or digital means of communication.”
- IFCs are divided into three different categories:
 - **Collective debt financing** (*Institución de Financiamiento Colectivo de Deuda*). Investors provide loans, credits, “*mutuos*”, or any other financing causing a direct or contingent liability to the applicants. The benefit is the loan plus an interest rate.
 - **Collective capital financing** (*Institución de Financiamiento Colectivo de Capital*). Investors acquire securities representing the capital stock of legal entities acting as applicants.
 - **Collective financing of co-ownership or royalties** (*Institución de Financiamiento Colectivo de Copropiedad o Regalías*) Investors and applicants enter into joint ventures or any other type of agreement whereby the investor acquires a share or participation in a present or future asset or in the income, profits, royalties or losses obtained from the performance of one or more activities or projects of an applicant.
- **Licensing**: See section 5.2 for specific licensing process for an IFC as an ITF. There is also a [guide](#) issued by the CNBV on IFC requirements. (Differences between an IFPE and IFC include: IFCs need to share the risk of investments, IFCs must have a Collection Manual for Debt Crowdfunding, and IFCs must follow certain marketing restrictions).

The following are permitted to invest through an IFC:

- Credit institutions
- Stock exchange houses
- Credit unions
- Regulated multiple purpose financial companies (SOFOMES)
- Popular financial companies (SOFIPOS)
- Community financial companies
- Cooperative savings and loan companies

Investment: Crowdfunding (cont.)

Permitted Activities for IFCs

- IFCs receive and publish applications from the projects submitted by the applicants through the digital platforms.
- Develop and maintain electronic communication channels that help investors and applicants engage with each other and carry out their activities.
- Obtain loans and credits from any person, national or foreign, for the fulfilment of its corporate purpose.
- Establish deposits in financial entities authorized to do so.
- Make permanent investments in other companies if they provide auxiliary, complementary, or real estate services.
- Carry out the judicial or extra judicial collection of credits granted to the applicants on behalf of the investors, as well as renegotiate the terms and conditions of such credits.

Prohibited Activities for IFCs

IFCs are not permitted to guarantee returns on the investment made or the outcome or success of the investments. This means that any kind of financial promotion or marketing campaign that promises, any type of financial reward to clients for participating in a venture or project is prohibited. The same prohibition applies if the promotion or marketing campaign is unclear or misleads clients in thinking that there is a guaranteed financial reward for their participation.

The following are not permitted to apply for financing through an IFC:

- The IFC itself
- Related persons and persons with Power of Attorney in the IFC

IFC Requirements

- Disclose the selection criteria for applicants and projects to be financed,
- Analyze and inform potential investors about the risk of the applicants and projects,
- Deliver investor resources to the selected applicants and, prior to delivery, allow the investor to withdraw its resources without any restriction or charges, and
- Establish risk sharing schemes with investors for Collective Debt Financing, among others.

05

Data protection



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Data protection: National provisions

Key Laws:

Federal Law on Protection of Personal Data Held by Individuals (*Ley Federal de Protección de Datos Personales en Posesión de Particulares* or “LFPDPPP”) for private sector

Main definitions:

- Processing data is defined as: “the collection, use, disclosure or storage of personal data, by whatever means. Use includes any action of access, handling, use, exploitation, transfer, or disposal of personal data.”
- Personal Data is defined as: “any information concerning an identified or identifiable natural person.”
- Sensitive Personal Data is defined as “those personal data that affect the most intimate sphere of their owner or whose improper use may give rise to discrimination or entail a serious risk for the owner. In particular, data that may reveal aspects such as racial or ethnic origin, present and future state of health, genetic information, religious, philosophical and moral beliefs, trade union membership, political opinions, or sexual preference are considered sensitive.”

Main provisions:

- Personal data may only be processed if the principles of lawfulness, consent, information, quality, purpose, loyalty, proportionality, and responsibility are met.*
- Any controller who processes personal data is required to establish and maintain administrative, technical, and physical security measures to protect personal data against damage, loss, alteration, destruction, or unauthorized use, access, or processing

*The principles of lawfulness, consent, information, quality, purpose, loyalty, proportionality and responsibility are defined in either the LFPDPPP or its secondary provisions.

Data protection: Sectoral provisions

There are also data protection provisions in financial service sector-specific regulation

Crowdfunding:

- **The General Provisions Applicable to Financial Technology Institutions** require that crowdfunding applicants provide evidence that their personal data controllers have implemented personal data protection and data privacy policies.

Novel Models:

- **General Provisions relating to Companies Authorised to Operate Novel Models** establish that applicants for an authorization to operate Novel Models are required to provide Operational Contingency and Information Security Incident Management Policies, which are required to contain procedures for reporting such situations to the CNBV.

Marketing/Advertising:

- **General Provisions of the CONDUSEF on Transparency and Sound Practices applicable to Financial Technology Institutions** require fintech institutions to obtain consent in order to use personal data for marketing, advertising, or any other purpose; Fintech institutions must obtain the prior authorization of the user independent of the contract of adhesion of services or products.

Sources: [DISPOSICIONES DE CARÁCTER GENERAL APLICABLES A LAS INSTITUCIONES DE TECNOLOGÍA FINANCIERA](#), [DISPOSICIONES DE CARÁCTER GENERAL RELATIVAS A LAS SOCIEDADES AUTORIZADAS PARA OPERAR MODELOS NOVEDOSOS A QUE HACE REFERENCIA LA LEY PARA REGULAR LAS INSTITUCIONES DE TECNOLOGÍA FINANCIERA](#), [DISPOSICIONES de carácter general de la CONDUSEF en materia de transparencia y sanas prácticas aplicables a las instituciones de tecnología financiera](#).

Data sharing: Open finance

- Open Finance is set out in Article 76 of the Fintech Law.
- Financial institutions, money transmitters, credit information companies, clearing houses, fintech institutions, and companies authorized to operate with Novel Models are required to establish standardized computer application programming interfaces (“**APIs**”) that enable connectivity and access to other APIs developed or managed by the same set of authorized companies and third parties specializing in IT to share the following data and information:
 - **Open financial data:** data concerning products and services offered to the general public, including the location of offices and branches, ATMs, or other access points to their products and services. The specific secondary provisions for Open Financial Data APIs are accessible [here](#).
 - **Aggregated data:** data related to any type of statistical information concerning operations, without a level of disaggregation that an individual's personal data or transactions can be identified.
 - **Transactional data:** data related to a customer's use of a product or service, including deposit accounts and credits.
- For a participant to access information through APIs, prior authorization is required from the Supervisory Commissions (*Comisiones Supervisoras*) or from Banxico for credit information companies and clearing houses.
- The Supervisory Commissions or, where appropriate, Banxico, are required to approve the fees charged by the entities for the exchange of data and information. These fees must be equitable and transparent.
- In Mexico, the approach towards “Open Finance” is generally broader in scope in comparison to other jurisdictions. The Open Finance framework is not only available to banks, but also to all other financial institutions and third parties specialized in IT, including ‘BigTechs’.



06

Consumer protection



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Consumer protection: National provisions

Key Law:

Consumer Protection Federal Law (1992) intends to promote and protect the rights of the consumer and a culture of responsible and intelligent consumption and to ensure fairness, certainty, and legal security in relations between suppliers and consumers.

Key Regulator:

The Federal Consumer Protection Agency (*Procuraduría Federal de Protección al Consumidor* or "PROFECO") promotes a culture of responsible and intelligent consumption, so consumers are in a position to make good and sufficiently informed decisions about the consumption of goods and services and the rights to which they are entitled.



Consumer protection: Sectoral provisions

Key Law:

The Law for the Protection and Defence of the User of Financial Services (*Ley de Protección y Defensa al Usuario de Servicios Financieros*)

Key Authority:

The National Commission for the Protection and Defence of Financial Services Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros* or “CONDUSEF”) is responsible for ensuring fairness in relations between users and financial institutions.

Focus on fintech:

CONDUSEF's general provisions on transparency and sound practices apply to fintech institutions (*Disposiciones de carácter general de la CONDUSEF en materia de transparencia y sanas prácticas aplicables a las instituciones de tecnología financiera*)

Other provisions

There are specific provisions regarding the creation of Taxpayers' Ombudsman's Office (*Procuraduría de la Defensa del Contribuyente* or “PRODECON”) and labor dispositions regarding the creation of Federal Labour Ombudsman's Office (*Procuraduría Federal de la Defensa del Trabajo* or “PROFEDET”).

A person wearing a purple long-sleeved shirt and a dark vest is standing and weighing green produce on a large, round, metal scale. The produce is in a clear plastic bag. In the background, another person in a green shirt is visible, and there are more produce items on a wooden surface. The scene appears to be outdoors or in a semi-enclosed space.

07

Anti-money laundering
(AML)/know your
customer (KYC)



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AML/KYC: Key laws & main provisions

Key Laws:

Federal Law for the Prevention and Identification of Operations with Resources of Illicit Proceeds (LFPIORPI)

There are also specific AML/FT regulations for each type of financial institution

Main provisions for non-financial institutions:

LFPIORPI identifies some "vulnerable activities"* of non-financial institutions within the Mexican markets that are subject to special regulation, which include:

- The issuance or marketing, on a regular and/or professional basis, of service cards, credit cards, prepaid cards, and other instruments for the storage of monetary value that are not issued or marketed by financial institutions. This activity reports to the SHCP when a specific threshold (approximately US\$5,758.00 in monthly expenditure) is passed.
- The regular or professional offering of mutual or guarantee loan operations or granting of loans or credits by subjects other than financial institutions. This activity reports to the SHCP when a specific threshold (approximately US\$7,190.00) is passed.
- The regular and professional offering of exchange of virtual assets by subjects other than financial institutions, which are carried out through electronic, digital or similar platforms. This activity reports to the SHCP when a threshold (approximately US\$2,800.00) is passed

Main provisions for financial institutions:

The specific AML/FT regulations require banks and other financial institutions to adopt international policies – specifically Financial Action Task Force ("FATF") recommendations and guidelines – that indicate their commitment to AML/CFT requirements provided by law and secondary regulations. They also must set up internal control measures such as:

- the appointment of a Compliance Officer or a Communication and Control Committee,
- the generation and application of a Control Manual for AML/CFT purposes, and
- the establishment of a risk-based approach, and analysis, generation of a model, and methodologies applying this approach, among others.

Geolocation requirement:

As of March 21, 2021, CNBV requires financial institutions to obtain and keep the real-time geolocation of the devices their customers use to carry out operations or services. This requirement will be implemented by sector in a staggered manner.

*All the thresholds provided above for vulnerable activities are measured by the minimum wage in force in Mexico City except the final "vulnerable activity" – virtual assets – which is measured in Measurement and Update Units ("UMAs"), whose value is published by the National Institute of Statistics and Geography ("INEGI") every year

AML/KYC: Customer due diligence requirements

- Customer Due Diligence (CDD) requirements for financial institutions depend on the type of financial institution.
- **At a minimum the mandatory KYC requirements for an individual are:**
 - a. The following identification data, obtained from a valid document:
 - i. Paternal surname, maternal surname and first name or names without abbreviations
 - ii. Gender
 - iii. Date of birth
 - iv. State of birth
 - v. Country of birth
 - vi. Nationality
 - vii. Voter ID number, if applicable
 - b. Proof of residence
 - c. Occupation, profession, activity, or line of business in which the client is engaged
 - d. Unique Population Registry Code
 - e. Advanced Electronic Signature Serial Number, if the client has one
 - f. Telephone number
 - g. E-mail address
 - h. If applicable, account number and Standardized Banking Code (CLABE) in the Financial Entity or Foreign Financial Entity. Financial Institution or Foreign Financial Institution authorized to receive deposits.
 - i. Establish in the ITF's Terms and Conditions that the natural person is acting on his/her own behalf and account.

Sources: [Prudential Guidelines For Institutions Licensed Under the Banking Act](#); [GSMA Proportional risk-based AML/CFT regimes for mobile money](#); [For Banks: General Provisions referred to in Article 115 of the Credit Institutions Law \(AML provisions for Banks\)](#); [For Fintechs: General Provisions referred to in Article 58 of the Law to Regulate Financial Technology Institutions \(AML provisions for Fintech institutions\)](#).

AML/KYC: Customer due diligence requirements (cont.)



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Additional due diligence measures that may be used to verify the identity of the customer include:

Copies of the following documents can be used for verification:

- Personal identification
- Proof of Unique Population Registry Code
- Proof of address
- Declaration of the natural person that he/she is acting in his/her own name and on his/her own account or on behalf of a third party, as the case may be.

What is the situation of remote (i.e. non face-to-face) CDD by mobile phone?

- For banks and fintech institutions conducting digital onboarding, institutions shall require and obtain from their clients the geolocation of the mobile device from which the client opens the account, the consent for engaging in the digital onboarding, and the voter identification number (for banks).
- Regarding accounts classified as level 2 that are contracted remotely, banks are required to integrate the identification files of their clients with other data, including the full name without abbreviations, gender, state of birth, date of birth, and their domicile.

AML/KYC: Simplified customer due diligence



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Fintech Institutions:

- The accounts or contracts offered by fintech institutions to their clients may be considered low risk and, therefore, may only require a simplified identification regime, provided the following:
 - In the case of accounts or contracts classified as level 1 and entered into with natural person clients with transactions limited to 750 Investment Units (UDIs) (MXN\$5,161/US\$258) over a calendar month, the fintech institution shall only be obliged to collect the paternal surname, maternal surname and name or names without abbreviations, date of birth, gender, federal entity, occupation, profession, activity or line of business, and e-mail address.
 - Level 1 accounts or contracts shall be subject to a maximum balance equivalent of 1,000 UDIs (MXN\$6,899 or USD\$345).
 - In the case of accounts or contracts classified as level 2 and entered into with natural person clients with transactions limited to 3,000 UDIs (MXN\$20,646/US\$1032) over a calendar month, the fintech institution shall only be obliged to collect, in addition to the data indicated above, the client's address and the digital version of the document from which the client's identification data originate.

Banks:

- Deposit accounts in national currency offered by the entities are considered low risk and, therefore, may have simplified identification requirements if they are subject to the following:
 - In the case of accounts classified as level 1 that are opened by natural person clients, whose operation is limited to credits equal to 750 UDIs (MXN\$5,161/US\$258) per client, per calendar month, the entities may integrate the respective identification files of their clients, only with the data of their paternal surname, maternal surname, name or names without abbreviations, and date of birth.
 - In the case of accounts classified as level 2 that are opened by clients who are natural persons, whose operation is limited to credits equal to 3,000 UDIs (MXN\$20,646/US\$1032) per client, per calendar month, the entities may integrate the respective identification files of their clients only with data relating to the full name, without abbreviations, date of birth, and address. In this case, the data relating to the name and date of birth of the customer must be obtained from an official identification.

Sources: [For Banks: General Provisions referred to in Article 115 of the Credit Institutions Law \(AML provisions for Banks\)](#); [For Fintechs: General Provisions referred to in Article 58 of the Law to Regulate Financial Technology Institutions \(AML provisions for Fintech institutions\)](#).

08

Cybersecurity



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Cybersecurity: Relevant legislation

National legislation:

- There is no national regulatory framework for cybersecurity.
- Notwithstanding, there is an advanced initiative for instituting a General Cybersecurity Law.
 - The initiative proposes creating a permanent cybersecurity commission within the National Public Security Council, which will be responsible, together with the Executive Secretariat of the National Public Security System, for monitoring compliance with the actions of the National Cybersecurity Center, a new entity also created by this new Law, which has the mandate to monitor, prevent and manage cybersecurity risks, dangers and threats arising within and outside the national territory.
 - The National Cybersecurity Center will be responsible for developing a national cybersecurity strategy in collaboration with the telecommunications regulator, the Federal Telecommunication Institute (*Instituto Federal de Telecomunicaciones* or "IFT").
 - Article 23 of the initiative proposes that users are required to provide real identity information when signing agreements or confirming receipt of services from network providers, companies that manage access to the fixed or mobile telephone network, or firms that provide information, publishing, or instant messaging services, such as Facebook, Twitter or WhatsApp. The initiative warns: "*where users do not provide real identity information, network operators will not provide the services.*"

Sectoral Legislation:

- There are sectoral provisions, such as the General Provisions Applicable to Electronic Payment Fund Institutions related to Security of Information, that lay out technical specifications for the technological infrastructure of fintech institutions, Chief Information Security Officer (CISO) faculties and responsibilities, data localization specifications, and technical requirements for two-factor authentication (2FA).

Cybersecurity: Data Localization Specifications

In the event of a partial or temporary interruption in the cloud computing service with a foreign provider, IFPEs must provide within their Business Continuity Plan a mechanism to ensure the continuity of services for their clients and guarantee they will maintain the necessary computing and processing capacity within two hours of any outage. The requirements apply to IFPEs that meet any of these descriptions:

- Carry out more than 3.5 million transfer transactions.
- Send or receive transfers of a total amount greater than the equivalent in local currency of 6 billion UDIs (MXN\$41,291,334,000.00/US\$2,064,566,700.00).
- At any time, have had more than one million accounts that, at any time during a twelve calendar month period, have registered a positive balance or sent at least one transfer or have had a total balance in the accounts exceeding 400 million UDIs (MXN\$2,752,755,600.00/US\$137,637,780.00).

The mechanisms to be implemented are:

- Engaging an additional cloud computing provider that is incorporated in and subject to a different jurisdiction than the original cloud computing service provider and that is under the control of a person other than the original provider.
- A mechanism that allows the IFPE to have its own infrastructure that enables it to carry out, in a territory other than that of the foreign jurisdiction in which the risk may occur, the processes referred to without this implying simultaneous operation with the cloud computing used in its normal operation.
- Any mechanism other than those referred to above that, at the request of the IFPE, is authorized by the Mexican Central Bank and the CNBV, provided that the IFPE demonstrates that such mechanism can ensure continuity in the performance of the acts necessary to issue, transmit, redeem or manage electronic payment funds, in the event of interruption for the causes indicated therein.

09

Competition



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Competition: Relevant legislation & competition issues



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Relevant authority & legislation:

- The Federal Economic Competition Commission (*Comisión Federal de Competencia Económica* or “COFECE”)* seeks to ensure free and economic competition and prevent, investigate, and combat monopolies and other restrictions on the efficient operation of markets in Mexico.
- The Federal Competition Law (*Ley Federal de Competencia Económica* or “LFCE”) is the primary antitrust legislation. LFCE covers restrictive agreements, abuse of dominant position, monopoly, and price regulation.
- LFCE requires that:
 - 1) Marketing and testimonials are not misleading or deceptive,
 - 2) Goods and services are not displayed without the price, and
 - 3) Products/services are not bundled together, unless it can be demonstrated that the convenience of bundling to the consumer outweighs the limits bundles place on the consumer’s right to choose, among other requirements.
- The abuse of a dominant position in a market is prohibited. The consequences of abuse includes a notice to the firm to cease abusive practices. Abuse is also considered an offence and the penalties are up to 10% of the firm’s turnover in the preceding business year or a higher percentage as determined by a court.

*In December 2020 COFECE approved, without conditions, the majority acquisition of Cornershop Mexico by Uber. Prior to this acquisition, there was litigation to establish which authority, IFT (Ministry of Telecommunications) or COFECE, was in charge of analyzing the digital platform market. It was held that COFECE was competent, so COFECE is the responsible competition authority for digital platforms market.



10 Taxation



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Taxation: Financial services

Relevant taxes:

- Mexican tax laws may apply to fintech activities. These regulations include the Income Tax Law (LISR), the Federal Tax Code (CFF), the Value Added Tax Law (LIVA), and the General Provisions called “Miscellaneous Tax Resolution” (*Resolución Miscelánea Fiscal* or “RMF”).
- Individuals and legal entities that carry out the following activities on national territory must pay the value added tax (VAT) established in LIVA:
 - Disposal of assets.
 - Provide independent services.
 - Grant the temporary use or enjoyment of goods.
 - Import goods or services.

Application to Fintech:

- In the RMF, there are certain reforms to the LISR and LIVA that directly affect services offered via online platforms. As of June 1st, 2020, foreign companies that provide digital services to users in Mexico through digital applications are required to charge VAT for such services.
- Similarly, if national or foreign technological platforms provide intermediation services in addition to providing digital services, they will be obliged to withhold both Income Tax (*impuesto sobre la renta* or “ISR”) and VAT from individuals who sell goods or provide services, including hosting services and to report these withholdings to the Tax Administration System (*Sistema de Administración Tributaria* or “SAT”).

11

Other relevant regulation



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Other relevant **company regulations**

- **Incorporation of companies** - The main regulation is the General Law on Commercial Companies.
- **Employment of foreign employees** - If a fintech firm wishes to employ foreign individuals, they are required to comply with the provisions of the Migration Law.
- **Intellectual Property** - The Federal Law for the Protection of Industrial Property deals with trademarks, patents, industrial designs, and their specific protection schemes.
- **Copyright** - The Copyright Law creates a process to obtain copyright protection of computer programs.
- **Foreign Investment Law** - This law sets out rules on foreign exchange, including transactions and investment of foreign currencies in Mexican businesses.
- **Labor Law** - The relevant regulation is the Federal Labor Law. There are also new specific regulations for working from home due to the pandemic:
 - [Decree reforming Federal Labour Law on Remote Working](#)
 - [Psychosocial risk factors at work - Identification, analysis and prevention](#)

Other regulations: **Virtual and crypto assets**

- **Regulatory Approach.** Banxico issued Circular 4/2019 which permits banks and fintech institutions to enter into virtual asset internal transactions - also known as *back-office transactions* - only with prior authorization granted by Banxico. Banks and fintech institutions are prohibited from conducting direct virtual asset transactions with clients or offer virtual asset custody, control, or transmission services to such clients.
- **Definition under the Fintech Law.** "A virtual asset is an electronically recorded representation of value used by the public as a means of payment for all types of legal acts, the transfer of which may only be carried out by electronic means. Under no circumstances shall a virtual asset be understood to be legal tender in national territory, foreign currency, or any other asset denominated in legal tender or foreign currency."
- **Limitation.** Fintech institutions are only permitted to operate with virtual assets that are approved by Banxico. In addition, fintech institutions and banks cannot provide virtual asset exchange, transmission, or custody services to their clients.
- **Need to provide a disclaimer.** Fintech institutions that manage virtual assets must disclose to their clients the risks of such transactions. Disclaimers must be posted on the fintech institution's website:
 - The virtual asset is not legal tender and is not backed by the Federal Government or Banxico.
 - The impossibility of reversing transactions once executed, if applicable.
 - The volatility of the value of the virtual asset.
 - The technological, cyber, and fraud risks inherent to virtual assets.



For more information and further guidance on engaging with regulators see [Fintech Regulation in Mexico](#)

www.bfaglobal.com

info@bfaglobal.com

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