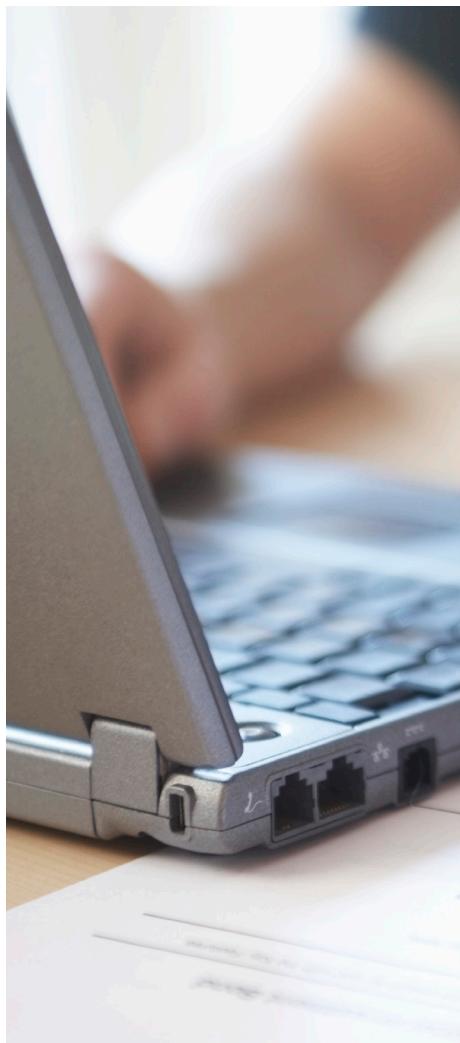


Mexican Senate approves the legislative proposal to enact the Financial Technology Law



Last December 5th, 2017, the Mexican Senate approved a legislative proposal to enact the Law to Regulate Financial Technology Institutions (the "[Fintech Law Draft](#)" or the "[Proposal](#)") with an approval of 102 votes without opposition. Consequently, the Fintech Law Draft will be discussed in the Chamber of Deputies for its final approval and publication. The Fintech Law Draft has the following points of interest.

Purpose: The Fintech Law Draft will regulate the following: (i) financial services rendered by financial technology institutions (Spanish acronym "ITFs") which are collective financing entities or crowdfunders (Spanish acronym "IFC") and electronic payment entities (Spanish acronym "IFPE"), as well as the (ii) incorporation, activities and services rendered through an "Innovative Model".

This "Innovative Model" will allow the provision of financial services using tools or technological devices in manner not previously seen in the market at the time in which the authorization is granted.

Government Bodies. The governmental authorities in charge to regulate the content of the Proposal, once it is approved by the Congress will mainly be the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or Spanish acronym "CNBV") and the Mexican Central Bank (Banco de México or Spanish acronym "Banxico"). The Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público or Spanish acronym "SHCP"), as well as other financial regulatory bodies will have a lesser role in this new legal environment.

Virtual Assets. One of the most prominent aspects of the Fintech Law Draft is the regulation of “virtual assets” commonly known as cryptocurrencies, such as bitcoin, ether and the sort.

ITF. An authorization from the CNBV will be required to operate and be incorporated as an ITF.

Anti-money Laundering Provisions. The ITFs will be subject to anti-money laundering rules to be issued by the CNBV. Likewise, the Fintech Law Draft was presented with a proposal to amend the Federal Law to Prevent the Financing of Illegal Activities (Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita) in order to include the intermediation of Virtual Assets on a regular basis (including those performed by ITFs) as a vulnerable activity.

Capital requirements of ITF. ITFs must keep a net capital which will be represented as a proportion between operational risks and other activities carried out by them.

Transaction with Virtual Assets. ITFs will only be authorized to carry out activities with virtual assets approved by Banxico prior an authorization granted by such authority. ITFs will have the duty to deliver to their customers the virtual assets managed on their behalf or an equivalent amount in legal currency, fulfill custody rules, refrain from carrying out derivative transactions, disclose to their customers the risks associated to Virtual Assets, keep account records, issue periodical reports to be filed before the financial authorities and establish measures to prevent money laundering activities.

Collective Finance Institutions (Crowdfunders). IFC are entities whose main purpose is putting in contact on a regular and professional basis through informatics or electronic interfaces, people from the general public in order to perform (among them as investors and applicants) financing activities.

Crowdfunding Activities. The crowdfunding or collective financing activities are comprised by the following categories: (i) collective debt financing: investors granting credits (or similar transactions) involving direct or contingent liabilities for the applicants, (ii) collective capital financing, in order for the investors to acquire instruments representing equity of the applicants, (iii) collective financing of royalties or joint-ownership: investors and applicants will carry out joint ventures or similar participation structures in order for the investors to acquire a participation in a future asset or income, royalties or any other product created or made by the applicant.

The transactions above will be performed in Mexican pesos; however, foreign currency or Virtual Assets can be used if so authorized by Banxico.

Electronic Payment Entities (IFPE). Services performed with the general public on a regular and professional basis comprising the issuance, management, redemption and transmission of electronic funds through informatics applications, interfaces, webpages or any other digital mean of communications, will only be performed by IFPEs authorized by CNBV.

Electronic Fund Payment. The Fintech Law Draft defines electronic funds as transactional records with the following characteristics: (i) referred to a monetary value or to its equivalent in a determined amount in national currency or (prior an authorization of Banxico) foreign currency or a determined number of units of a Virtual Asset, (ii) correspond to a monetary obligation in charge of the issuer for an amount of money or Virtual Assets, (iii) are issued against the receipt of a money amount or Virtual Assets to deposit, transfer or withdraw such funds, and (iv) are accepted by a third party as receipt for a determined money amount or virtual assets.

Innovative Models License. Similar to the “sandbox” model of other jurisdictions, the Fintech Law Draft establishes that corporations (other than ITFs and other regulated entities such as banks, broker dealers, etc.) will be able to apply for a temporary license in order to perform an activity that requires an authorization, registry of concession from the financial authorities as provided by the law. This authorization will be limited by time, products and geographical reach and the authority in charge to grant it will be the governmental body whose rules and regulations will be affected by the Innovative Model.

We expect the Fintech Law Draft to be voted and approved by the Chamber of Deputies within the following months.

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