

2018 Binational State Attorney General Exchange



2018 Encuentro Binacional de Procuradores y Fiscales Generales

Law for regulating Financial Technology Institutions

2018



SHCP
SECRETARÍA DE HACIENDA
Y CRÉDITO PÚBLICO



COMISIÓN NACIONAL
BANCARIA Y DE VALORES



BANCO DE MÉXICO

International regulatory experience

- Given the sustained and accelerated growth of the FinTech sector worldwide, and the inherent risk that this industry poses to the stability and integrity of financial systems, several countries have regulated or are in the process of regulating the FinTech sector.
 - In fact, this regulation has been one of the key issues in discussions at various international forums and international organizations in which Mexico participates actively, mainly the Financial Stability Board of the G-20 (FSB).



Collective financing:

USA, Canada, China, Spain, Italy, France, Finland, United Kingdom, and New Zealand.

Electronic payments:

USA, European Union, United Kingdom, Peru, Colombia, Bolivia, Paraguay, Uruguay, Brazil and Kenya.

Virtual assets

Certain states within the US, the European Union, Australia, Canada and Japan.
(With a focus on fiscal issues and money laundering)

Innovative firms

Regulatory sandbox:

United Kingdom, Australia, USA, Singapore, Ontario, Malaysia, Thailand, Hong Kong and Indonesia.

Mexico's Fintech Law

Given the inherent risks that this industry presents to financial stability and the consumer, as well as its great dynamism, a Law was recently approved by Congress based on 5 governing principles (to provide more flexibility) and secondary regulations which will be actively updated according to the sector needs.



Mexico's FinTech Law

Regulated
entities



Electronic Payments Entities

- ✓ Issuance, administration, and redemption of electronically registered money balances, for payments or electronic transfers.
- ✓ Operations can be carried out in Mexican pesos or virtual assets.
- ✓ These can act as money transmitters.
- ✓ They will be able to commercialize, issue, or manage means of disposal.
- ✓ They will not be allowed to pay yields for accumulated balances.



Crowdfunding entities

- ✓ Authorization to carry out financing operations (debt, capital or co-ownership)
 - Debt crowdfunding entities must use at least one Credit Bureau.
- ✓ Risk disclosure regime.
- ✓ A single project cannot be funded by more than one platform.
- ✓ Guaranteeing yields is prohibited.
- ✓ Incentive alignment schemes. (e.g. skin in the game).



Virtual assets

- ✓ E-money and crowdfunding entities will be able to operate with virtual assets approved by the Central Bank of Mexico
- ✓ The Central Bank of Mexico will determine which virtual assets may be used, as well as their respective conditions and restrictions.
- ✓ Any institution that operates with virtual assets must comply with AML/CFT regulatory framework.

Mexico's FinTech Law

Other
Regulated
figures



Regulatory Sandbox

- **Definition:** “legal space” under which a regulated activity (that needs an authorization, registry or concession) can be carried out under an ad hoc regulatory framework during a limited time period.
 - Its purpose is to support innovation.
 - The launch of the product or service has to be carried out for a limited scope and number of customers.
- **Regulation:**
 - Temporary licenses will be granted.
 - This scheme can be used by either new unauthorized firms, or established financial institutions.



APIs (Application programming interfaces)

- **Definition:** technological specifications used by apps to communicate with financial entities (e.g. sharing information among others, etc).
- **Regulation:**
 - Financial entities, money transmitters, clearing houses, and Financial Technology Institutions (FTIs) must have APIs.
 - Client's consent will be necessary to share client information, either from a financial entity to an FTI or vice versa.
 - Financial entities will be allowed to charge a fee for the use of their APIs (as its development is costly). These charges will be regulated and supervised by the relevant authority.

FinTech sector risk



Money laundering & financing of terrorism.



Financial & systemic risks.



Legal uncertainty.



Lack of consumer protection.

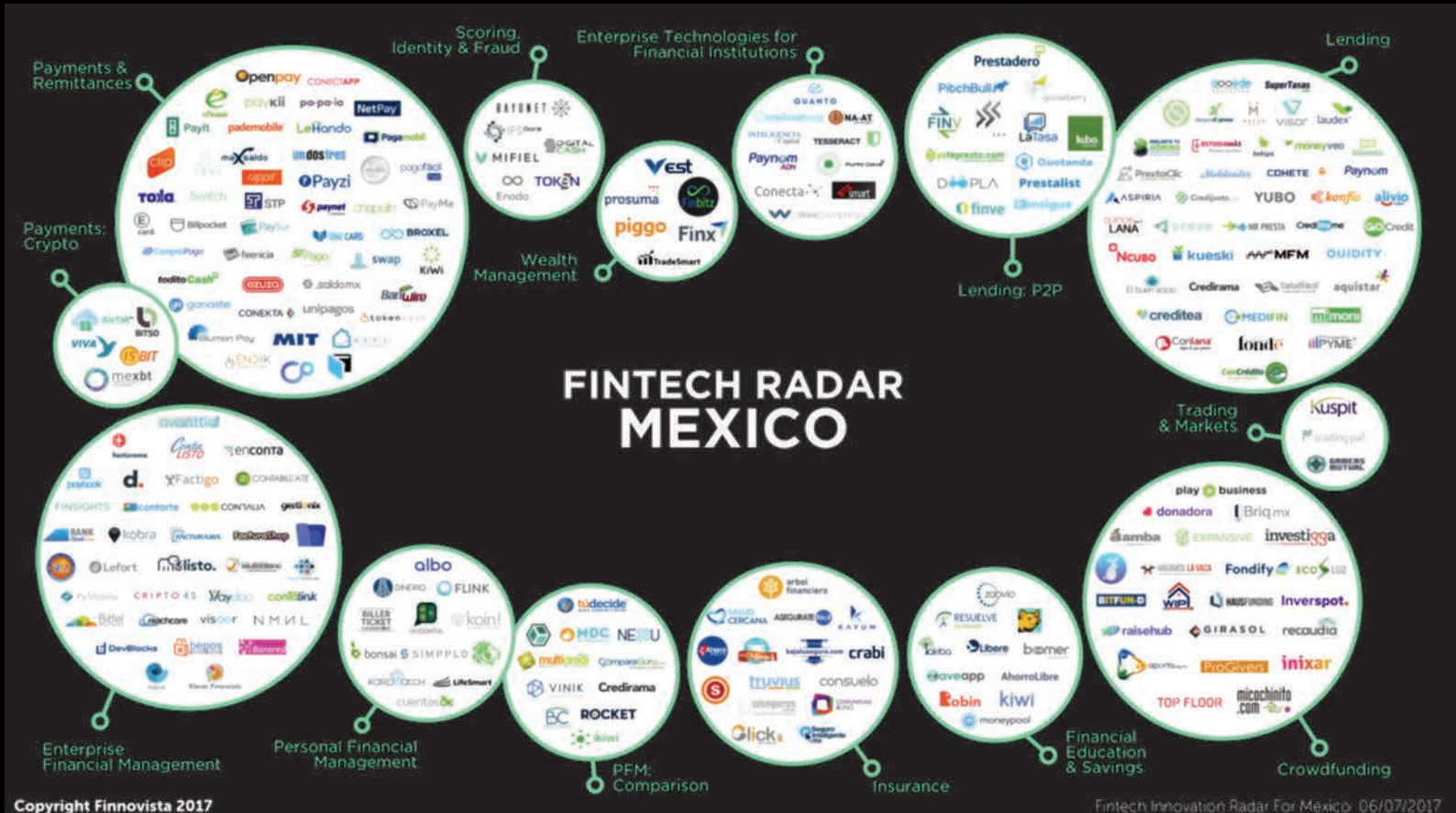


Technological risks

For instance: impersonation and identity theft, information privacy, and platform or database integrity



FinTech sector in Mexico



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Fintech Innovation Radar For Mexico 06/07/2017

FinTech Benefits



**Promotes
financial
inclusion**

Fosters competition



**Highly scalable
models**

**More efficient
and less costly
processes**



**Reduction of
systemic
risks
(TBTF)**

**Increases safety and
quality of services**

... among others.

FinTech sector in Mexico

Thanks for your attention

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