

Mexico City, September 27<sup>th</sup>, 2013.

The purpose of the Mexican Banking and Securities Commission (CNBV) as an independent agency of the Ministry of Finance and Public Credit (SHCP), and in conformity with Article 2 of the National Banking and Securities Commission Law, is to oversee and regulate entities in the financial system, among other things, seeking to ensure their stability and proper operation, and to maintain and promote the sound and healthy development of the system as a whole.

Part of the CNBV's operations include having the Vice President's Office in charge of the Preventive Supervision Process carry out such surveillance activities for the prevention of money laundering and financing of terrorism (AML/FT). The following information is issued within this context and with respect to the measures the Mexican financial system has adopted to mitigate the risks associated with cash transactions in U.S. dollars and strengthening of the surveillance activities hereby described.

### RELEASE

1. In 2009, the Mexican financial system exported 2.7 billion U.S. dollars on average per quarter. This situation raised concerns among the Mexican and U.S. authorities who felt that part of the origin of these resources could be linked to criminal activities, among others.

SHCP implemented a series of regulatory measures in June, September and December 2010<sup>1</sup> to reduce the risk that resources from a possible illegal origin enter the Mexican banking system.

These measures allowed Mexican financial institutions to continue to provide the general public the opportunity to change U.S. dollars for Mexican pesos and, in parallel, impose strict requirements on U.S. dollar cash transactions to stop operations with criminal proceeds, such as money laundering and financing of terrorism.

The measures enforce the restrictions the banking institutions must take into account for all cash transactions involving U.S. dollars. Banks can only carry out

---

<sup>1</sup>Such regulatory measures are available at the following links:

[http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg\\_instituciones\\_de\\_credito\\_16jun10.pdf](http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg_instituciones_de_credito_16jun10.pdf)

[http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg\\_instituciones\\_de\\_credito\\_09sep10.pdf](http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg_instituciones_de_credito_09sep10.pdf)

[http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg\\_instituciones\\_de\\_credito\\_20dic10.pdf](http://www.hacienda.gob.mx/LASHCP/MarcoJuridico/InteligenciaFinanciera/disposiciones/dcg_instituciones_de_credito_20dic10.pdf)

transactions for clients or occasional customers when certain conditions are met and up to certain fixed amounts.<sup>2</sup>

These measures also established that institutions must submit quarterly reports to the SHCP of cash transactions involving U.S. dollars. These reports have allowed the Mexican financial authorities to gather relevant information for analytical purposes.

A significant reduction of the figures mentioned above was reported following the implementation of these measures in 2012, as the quarterly average of U.S. dollars exported dropped to 990<sup>3</sup> million U.S. dollars, representing a 63.33 percent decrease from 2009 to 2012.

However, the Mexican authorities are monitoring, evaluating and reviewing all changes regarding the impact of the measures established for cash transactions involving U.S. dollars to determine if it might be necessary to make changes to the amounts and requirements established by such measures.

2. Meanwhile, some banks have implemented additional controls and risk mitigation measures, such as:
  - a) Obtaining more information with regard to the origin of U.S. dollars in cash. These measures include, *inter alia*, obtaining information on their client or occasional user's economic activities, and the source of their funds;
  - b) Conducting a macro analysis to identify trends in the purchase of U.S. dollars per branch or region;
  - c) Restricting the number of branches that accept U.S. dollars in cash, and
  - d) Specifically tracking this type of operations to identify unusual patterns or cash flows of U.S. dollars in a given region of the country without apparent grounds while also preparing a report for the SHCP, if applicable.

---

<sup>2</sup>Restrictions vary if the clients or the occasional customers are individuals or business corporations, and domestic and foreign, among other conditions. For clarity purposes, a client is a person that has a permanent ongoing business relationship with a bank, while the occasional customer is a person that does not have a permanent commercial relationship with a bank.

<sup>3</sup>Source: Information provided by the financial institutions.

3. In 2010, measures similar to those listed in paragraph 1 were extended to brokerage and exchange firms as entities that can also capture U.S. dollars in cash from their clients and occasional customers.
4. The authorities have taken important steps to optimize supervisory standards and align them with international best practices to strengthen the solvency and the integrity of the Mexican financial system.

Such measures include, among other things, reinforcing the supervision of AML/FT activities in financial institutions (especially banks, and brokerage and exchange firms). This has been highlighted by the Financial Action Task Force (FATF), the International Monetary Fund (IMF) and other international organizations in more recent dates.<sup>4</sup>

As a member of the FATF, Mexico has been the subject of three mutual evaluations, which have determined the degree of compliance with the recommendations made by the FATF itself. The latest round of mutual evaluation, which results were approved by the FATF plenary in October 2008, included specific recommendations to the CNBV noting the importance of supervising entities subject to the AML/FT regime with a risk-based approach, among others.

In order to address this recommendation, the CNBV received technical assistance from the IMF in 2009, to develop and implement a methodology to oversee AML/FT processes, with a risk-based approach.

The new methodology has provided the CNBV with a tool aligned with international standards and strengthened its monitoring of compliance by credit institutions and brokerage and exchange firms, with the general provisions applicable to AML/FT activities with a risk-based approach. This has allowed more effective monitoring of the financial institutions' most vulnerable areas, including high-risk products, and clients and geography, among others.

The CNBV evaluates the effectiveness of policies, standards, measures and procedures implemented by financial institutions, particularly with respect to products and services that may be more vulnerable from a AML/FT point of view, such as money transfers, transactions in pool accounts and, of course, buying and selling currencies.

---

<sup>4</sup>"Mexico: A detailed assessment of compliance with the Basel Core Principles" issued by the International Monetary Fund, which can be found at: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25811.0>



"2013, Year of Institutional Loyalty and Centennial of the Mexican Army"

In 2012, Mexico was evaluated by the Financial Sector Assessment Program (FSAP). The assessment included, among other things, the monitoring activities the CNBV carried out in terms of AML/FT.

In the report<sup>5</sup> containing the respective results, the CNBV received the following recognition for the work done by the evaluation team:

- a) A great deal of work has been done regarding the formalization of the processes and methodologies;
  - b) The CNBV staff proved to be highly trained;
  - c) The on-site reports are of a high quality and exceeded the situation observed in other comparable countries, by far;
  - d) Cooperation with their national and international counterparts has been excellent;
  - e) In addition, several initiatives are underway to strengthen off-site surveillance, particularly through new reports and assessment tools, and
  - f) The evaluators stated that Mexico "significantly met" the 18 BCP (Basel Core Principles)<sup>6</sup>.
5. Mexico has developed a robust and updated AML/FT regulatory framework. The supervision to determine compliance of financial institutions with the legal framework has been recognized by major international organizations, to be consistent with the highest international standards.

Based on the above, the financial institutions in Mexico and abroad, might consider that the measures implemented in recent years provide a method to re-evaluate the risk level assigned to the Mexican credit institutions with respect to their operations, including cash transactions in U.S. dollars.

<sup>5</sup> "Mexico: *Financial System Stability Assessment*," published on March 30th, 2012. <http://www.imf.org/external/pubs/ft/scr/2012/cr1265.pdf>

<sup>6</sup> It is important to note that this particular issue relates to the CNBV's successful adoption of a new methodology for monitoring AML/FT activities, based on related international standards.