

Mexican FinTech Law

Over the last few years, the financial services industry in Mexico has experienced innovation and disruption with the emergence of financial technologies.

In Mexico, the FinTech ecosystem has evolved to become one of the most developed and dynamic in Latin America. The Mexican market represents strong opportunities for FinTech companies due to the low penetration of financial services and the existence of a young and tech-savvy consumer base.

In the next few months, all operating FinTechs in Mexico will become formally regulated under the Financial Technology Institutions Law (“FinTech Law”) and the secondary regulation. This will bring important challenges and opportunities in the evolution and consolidation of Mexico as a global FinTech hub.

This document will briefly describe the FinTech ecosystem, legal framework and the upcoming deadline for operating FinTech companies in order to introduce a broad picture of the latest FinTech developments in Mexico.

The Mexican FinTech ecosystem

The FinTech ecosystem in Mexico has grown rapidly over the last few years, making Mexico the largest FinTech hub in Latin America with more than 394 operating FinTech companies, only slightly ahead of Brazil, with 380 FinTech companies and startups.¹

Mexico’s FinTech sector is comprised of companies and startups from all segments, ranging from payments and remittances, crowdfunding, lending, digital banking, insurance, trading and capital markets, wealth management, corporate financial management, and personal financial management, among others.²

According to different media sources, there are approximately 20 to 25 FinTech companies in the process of obtaining authorization before the National Banking and Securities Commission (“CNBV”) to comply with the Mexican FinTech legal framework.

The Mexican FinTech legal framework

The joint participation of the public and private sector has been fundamental in the evolution of the FinTech ecosystem. In particular, the private sector made important efforts to have legislation that promotes and drives FinTech development in Mexico.

On March 8th, 2018, Mexico became the first jurisdiction in Latin America to include a specific FinTech legal framework through the enactment of the FinTech Law and its secondary regulation issued on September, 10th, 2018.

The FinTech Law regulates two types of FinTech: (i) crowdfunding institutions and (ii) electronic money and payment institutions. The FinTech Law also covers subjects such as cryptocurrencies, open banking and regulatory sandbox.

Secondary regulation and provisions such as the open banking rules, the outsourcing rules for e-money institutions rules, and the technological infrastructure guidelines, among others, have not been published yet.

It is crucial for the Mexican government to promote a legal framework that enables FinTech development, protects the financial users and does not present entrance barriers to innovative companies.

1. Finnovista and Inter-American Development Bank (2018). FinTech Radar. <https://www.finnovista.com/the-mexican-fintech-ecosystem-recovers-the-leading-position-in-latin-america-and-approaches-nearly-400-fintech-startups/?lang=en>

2. Finnovista and Inter-American Development Bank (2018). FinTech Radar. <https://www.finnovista.com/the-mexican-fintech-ecosystem-recovers-the-leading-position-in-latin-america-and-approaches-nearly-400-fintech-startups/?lang=en>





Deadline for authorization filing

FinTechs operating in Mexico must have filed for authorization before the CNBV prior to September 25th, 2019 to be able to continue their activities.

Afterwards, the CNBV and the Interinstitutional Committee³ has a term of six months to grant or deny the authorization filing. Such period can be extended for another three months depending on the information requirements from the financial authority.

The process for obtaining authorization requires entities to submit before the CNBV, among other information, the operation model, the business plan, the shareholders information, the capital and corporate structure, the board of director's integration, the financial viability report. The required level of detail in all these documents is high.

Likewise, entities willing to operate as a FinTech in Mexico are required to be incorporated in Mexico, to fulfil the minimum capital requirements that range between \$165,000 and \$230,000 depending on the operations performed and to include in their bylaws the obligation to comply with the FinTech legal framework.

Furthermore, entities operating must submit their internal policies regarding compliance with AML/KYC regulation, operation, risk management, fraud prevention, electronic means of communication, user notification and protection, among others.

3. The Interinstitutional Committee is comprised of members from the CNBV, the Mexico Central Bank and the Ministry of Finance.

Conclusions

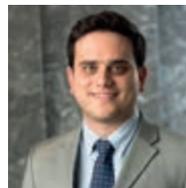
The next few months will be fundamental to the development of the FinTech ecosystem in Mexico. We are looking forward for the implementation of the FinTech Law and the secondary regulation as we are certain that regulation will promote FinTech investment, public support and more financial users involvement.



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