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Eight measures to promote the financial sector

On January 8, the Ministry of Finance and Public Credit (SHCP) and the Bank of Mexico (Banxico) announced eight measures aimed at attracting and promoting savings among a broader population, as well as allocating them to productive investments. The ultimate goal is a more inclusive and equitable economic growth.

Measures announced are the following:

1. Digital payment platform via mobile devices

By means of Electronic Fund Transfers (EFT) through mobile devices or via the internet, it will be easier to make immediate payments, free of cost for both buyer and seller. The platform allows a more secure method of payment in sales transactions, reduces the use of cash and encourages more businesses to benefit from such tools in order to access other formal financial services.

2. Availability of payroll loans from any bank

Employees will be able to use their payroll bank accounts as a source of payment for all types of loans with any financial institution. Thus, they will be free to choose the most suitable option, access a wider range of alternatives and have a greater leverage. This measure will also help to reduce credit costs.

3. Repurchase agreements (repo) and securities lending regulation

The target is to allow more financial institutions to carry out repo and securities lending transactions through a new regulation that broadens the scope of assets that may be negotiated in order to promote liquidity in the bond market.

4. Incentives for businesses to go public and measures to prevent discrimination among investors

For Initial Public Offerings (IPOs), an equivalent rate of 10% of the income tax (ISR) will be granted for the profit. In case of corporate bonds purchases, 100% of the income tax retention will be credited for foreign residents with corporate debt investments.

Hereof, also on January 8, the Federal Official Gazette published a decree by which the following tax incentives were granted:

RITCH

M U E L L E R

a) Incentive for residents in Mexico required to withhold income tax from residents abroad regarding interests of notes issued by Mexican entities placed among the investing public through brokerage firms. Such incentive is equivalent to 100% of the income tax that should be withheld in this scenario.

b) For IPOs, a tax incentive is granted for individuals resident in Mexico, as well as entities and individuals abroad, of a reduced 10% income tax rate to earnings derived from disposal of shares issued by Mexican companies resident in the country, for fiscal years 2019, 2020 and 2021. The concession of such incentive is conditioned upon the compliance of requirements set in the decree in this regard.

5. Flexibility for financial intermediaries in repo and securities lending transactions

In order to encourage and strengthen businesses' funding, financial institutions, including Afores, will be authorized to borrow or lend securities issued by such businesses.

6. Flexibility in Afores investment policy

Such measure aims to diversify Afores' investments, especially through productive infrastructure projects in order to strengthen workers' pensions, promote voluntary savings and boost the financial market.

7. Elimination of entry barriers for youth between the ages of 15 and 17

It is provided that young people who have not yet reached the age of 18 may open their first debit account as holders. According to SHCP calculations, this will favor around 7 million youngsters, including those who benefit from government scholarships.

8. Reconfiguration and consolidation of the Development Bank

The National Savings and Financial Services Bank (BANSEFI) will be transformed into the Welfare Bank, which will focus on the agricultural sector. The purpose is to include rural areas, marginalized municipalities and semi-urban regions without access to commercial banks. The Welfare Bank intends to benefit 15 million new customers and will be comprised by four institutions:

- National Finance of Agricultural, Rural, Forestry and Fisheries Development (FND)
- Capitalization and Investment Fund for the Rural Sector (FOCIR)
- Shared Risk Trust (FIRCO)
- Agroasemex

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These eight measures are part of a series of strategies intended to be implemented in other areas, including:

- Massive use of financial services through new technologies.
- Client authentication and risk reduction systems to avoid identity theft.
- Standardization of cost information, conditions and terms of offered products.
- Elimination of mobility barriers for clients.

The main purpose of such strategies is to build a more inclusive financial system that allows access to a larger population, as well as to promote investment on a national level.

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