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New regulation on money laundering and terrorist financing for financial entities

On March 20, 21 and 22, the Ministry of Finance and Public Credit (SHCP) published in the Federal Official Gazette several amendments to the regulatory provisions of the following financial entities (“Entities”):

- Exchange offices
- Multipurpose financial institutions
- Credit unions
- Investment advisers
- Exchange centers
- Money transmitters
- Credit institutions
- Bonded warehouses
- Popular financial companies
- Savings and credit cooperative societies

The abovementioned amendments, currently in force, seek to integrate the recommendations that the Financial Action Task Force (FATF) made to Mexico regarding money laundering and terrorist financing within its Mutual Evaluation Report, dated January 3, 2018.

Essentially, amendments refer to the following aspects:

a) Customer identification

1. Entities are prohibited from using simplified customer identification procedures where there is suspicion that the resources, goods or securities involved in any transaction may be related to money laundering or terrorist financing.
2. Entities are compelled to integrate and preserve an identification file of each of their customers. Files should comply with requirements determined by the SHCP for each entity.
3. In case of electronic transactions, they must identify all customers involved, regardless of the amount negotiated.

b) High-risk costumers

1. Entities must identify those customers, national or foreign, who may be considered politically exposed, as well as implement sufficient due-diligence measures for such cases.
2. For transactions involving clients classified as high-risk customers, entities should adopt all measures necessary to determine the origin of the resources and procure, as far as possible, all data regarding their spouses and dependents, as well as of any companies and associations to which they may be linked to, their main shareholders and partners.

c) Risk assessment

1. Entities shall design and enforce an assessment methodology for risks to which they may be exposed to due to their products, services, customers, countries or geographic area, transactions and channels for delivery or distribution with which they operate.
2. Entities are also compelled to develop a compliance handbook, which will include a prevention regime for money laundering and terrorist financing with a risk-based approach.
3. In the provision of services through new technologies, they must permanently monitor the risks that may arise.

d) Reports and documentation

1. In the event of substantiated suspicion, evidence or specific facts indicating that resources involved in any transaction may stem from illicit activities or be destined to commit a crime, entities should submit to the SHCP a full report of the unusual transaction within 24 hours after such information was brought to their attention.
2. For virtual assets, entities are obliged to generate a report of all transactions comprising such assets.
3. Entities must keep all information regarding their customers' identification and transactions, as well as all reports, for a period of 10 years, and shall make them available to competent authorities upon request.