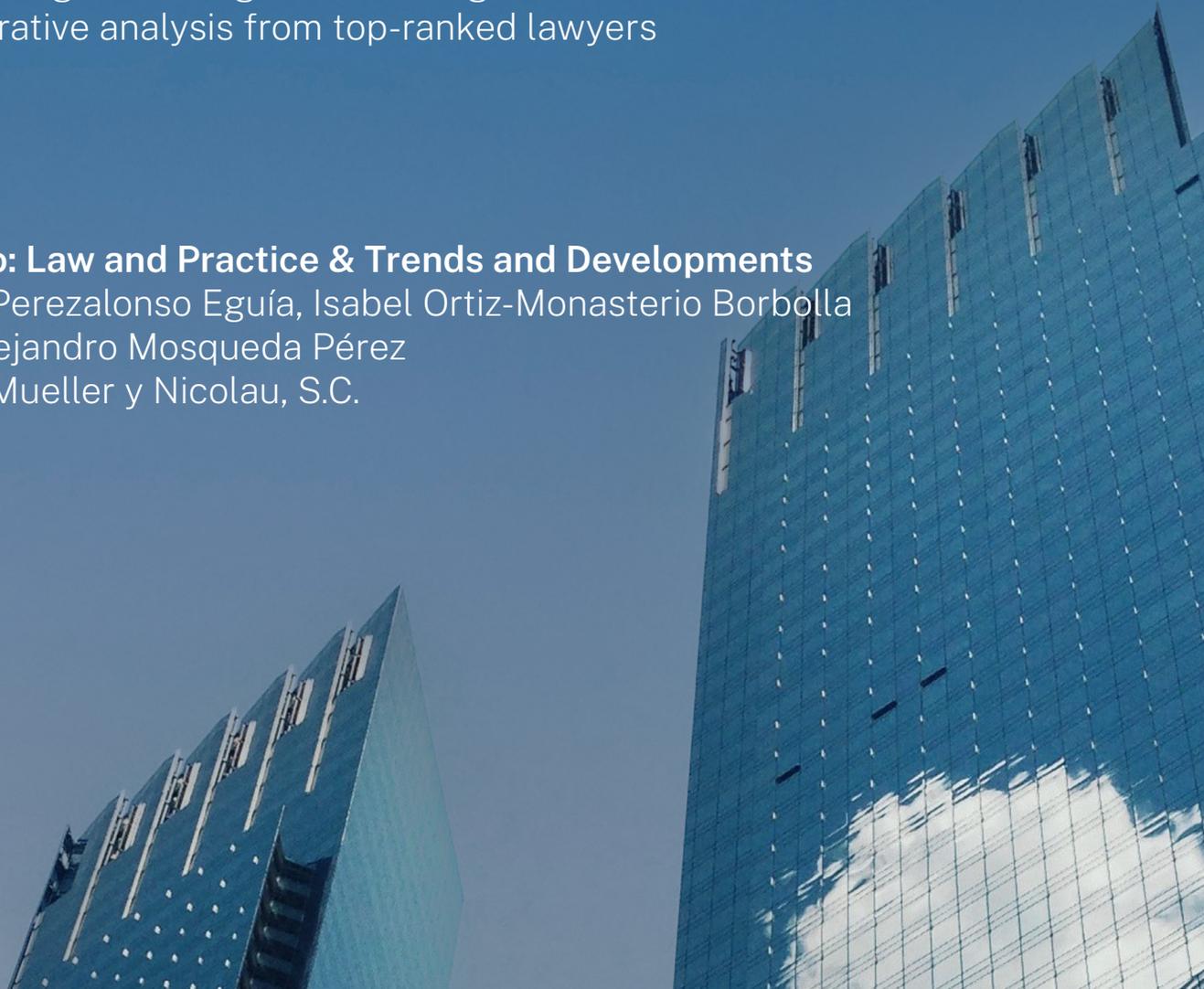

CHAMBERS GLOBAL PRACTICE GUIDES

Banking Regulation 2026

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Mexico: Law and Practice & Trends and Developments

Pablo Perezalonso Eguía, Isabel Ortiz-Monasterio Borbolla
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MEXICO



Law and Practice

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Ritch, Mueller y Nicolau, S.C. is a top-tier multidisciplinary transactional firm committed to offering high-value legal advice to national and international clients engaged in structuring, developing and financing private businesses and public-sector projects in Mexico. The firm represents Mexican, international and multi-lateral banks, as well as other financial intermediaries in secured and unsecured, bilateral and syndicated lending transactions of different levels of complexity involving Mexican obligors or assets. With a consistent presence in the market, Ritch Mueller has actively

participated in all phases of the credit cycle, including origination in bull markets as well as restructuring in the context of regional or global crises. The firm has played a pivotal role in advising the majority of foreign financial institutions that have established subsidiaries in Mexico, guiding them through the authorisation processes. Additionally, Ritch Mueller extends advisory services to industry organisations such as ISDA and the Mexican Banking Association, particularly in derivatives transactions within the Mexican market.

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1. Legal Framework

1.1 Key Laws and Regulations

The main laws and regulations applicable to Mexican banks are as follows.

Laws

- *Ley de Instituciones de Crédito* (the “Banking Law”) – this is the primary law applicable to Mexican banks and foreign branches of banks (*filiales*) in Mexico. It outlines the requirements for the establishment, operation, and supervision of banks in Mexico. It also includes, among others, provisions on allowed and forbidden transactions, as well as corporate governance, risk management, and consumer protection provisions applicable to banks.
- *Ley del Banco de México* (the “Banco de México Law”) – this law governs the operation, supervision and regulatory activities of Banco de México (the Central Bank of Mexico). It defines the central bank’s roles and responsibilities, including monetary policy, financial stability, and the regulation of payment systems. Additionally, this law provides that Banco de México might issue regulations regarding the deposit, lending and services transactions of banks.
- *Ley para Regular las Agrupaciones Financieras* (the “Financial Groups Law”) – this law provides for the establishment of financial groups in Mexico. Financial groups are formed by a financial holding company and its subsidiaries, which are regulated financial companies. Financial groups are regulated and supervised by different authorities in Mexico, depending on the entities that comprise them.

- *Ley de Protección y Defensa al Usuario de Servicios Financieros* (the “Financial Services Users Protection Law”) – this law focuses on the protection of financial service users. It establishes the rights of consumers and the obligations of financial institutions, including transparency and fair treatment.

Regulations

- *Disposiciones de Carácter General Aplicables a las Instituciones de Crédito or Circular Única de Bancos* (the CUB or the “Banking Regulations”) – these regulations are issued by the *Comisión Nacional Bancaria y de Valores* (the “National Banking and Securities Commission” or the CNBV) and it conglomerates most of the regulatory requirements applicable to banks in Mexico, including, among others, capital and liquidity requirements, corporate governance and duties of the senior management, and financial reporting.
- Circular 3/2012, issued by Banco de México, regulates transactions between banks and other financial institutions, including credit transactions, deposits and other services/banking operations, as well as provisions related to the use of diverse interest rates.
- Circular 4/2012, issued by Banco de México, regulates the operational aspects and obligations related to derivatives transactions entered into between financial institutions in Mexico.
- *Reglas a las que Deberán Sujetarse las Instituciones de Crédito; Casas de Bolsa; Sociedades de Inversión, Sociedades de Inversión Especializadas de Fondos Para el Retiro y la Financiera Rural en sus Operaciones de Reporto* (the “Reporto Regulations” – ie, Repurchase Regulations), issued by

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Banco de México, regulate repurchase agreement (“repo”) transactions entered into between financial institutions in Mexico.

- *Reglas a las que Deberán Sujetarse las Instituciones de Crédito; Casas de Bolsa; Sociedades de Inversión, Sociedades de Inversión Especializadas de Fondos Para el Retiro y la Financiera Rural en sus Operaciones de Préstamo de Valores* (the “Securities Lending Regulations”), issued by Banco de México, regulate securities lending transactions entered into between financial institutions in Mexico.
- Circular 14/2007, issued by Banco de México, sets forth the requirements with which the interest rates that banks use in small to medium loans need to comply.
- *Reglas para el Establecimiento de Filiales de Instituciones Financieras del Exterior* (the Rules for the Incorporation of Affiliates of Foreign Financial Entities) set forth the rules that govern the conditions and procedures for foreign financial institutions to establish subsidiaries in Mexico, ensuring compliance with local regulations and promoting healthy competition in the financial market.

Authorities

Regarding the supervisory authorities of banks, the Ministry of Finance bears the primary supervisory responsibility and is supported by an autonomous agency functionally attached to it, the CNBV, that regulates, among others, banks, broker-dealers and investment funds. Banco de México, in addition to managing its normal central bank operations, also regulates deposit, lending and funding transactions of banks, as well as the foreign exchange and derivatives markets in Mexico.

Two other decentralised public agencies involved with operations of Mexican banks are the *Instituto para la Protección al Ahorro Bancario*, or IPAB, which is in charge of the banking deposit system and managing a formal deposit insurance system, and the *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financiero* (the National Commission for the Defense of Financial Service Users, or CONDUSEF).

2. Authorisation

2.1 Licences and Application Process Bank Authorisation Regime in Mexico

Obtaining a banking licence in Mexico is a very lengthy regulatory process, governed primarily by the Banking Law and applicable provisions of the CUB. Below is a summary of the key aspects of the authorisation regime.

Authorisation requirement and activities covered

To establish and operate a bank in Mexico, an entity must obtain authorisation from the CNBV, with a favourable opinion from Banco de México. Mexican banks may engage in all activities permitted under the Banking Law or opt to perform only specific transactions under a catalogue. Adjustments to these activities (adding or eliminating allowed activities) require prior CNBV approval.

Foreign banks cannot establish branches in Mexico for general banking activities, and representative offices are restricted from conducting active banking transactions.

Application process and requirements

The application process involves filing an application in triplicate (ie, three copies), along with its exhibits, to the CNBV. The documentation must be submitted in Spanish, translated by a certified translator. From 2021 to the present time, the filing has been and can be conducted through an official email account of the CNBV.

The timeline for obtaining approval ranges from six to nine months following submission of a complete application. Key steps include the following.

1. Filing and deposit guarantee

A deposit equivalent to 10% of the minimum required capital must be made with *Banco del Bienestar* in favour of the *Tesorería de la Federación* (the “Mexican Treasury”). This deposit ensures the seriousness of the application and is refundable upon the successful incorporation and operation of the bank. However, it may be forfeited if the terms of authorisation are breached, such as failure to incorporate within three

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months or commence operations within six months of authorisation.

2. Minimum capital requirements

The required capital depends on the bank's activities. Banks conducting all permitted activities must hold a minimum of 90 million *Unidades de Inversión* (UDIs or indexed units) – approximately USD42 million. For banks engaging in limited activities, the minimum capital may range between 36 and 54 million UDIs (approximately USD16.7–25 million).

3. Incorporation requirements

The bank must be incorporated in Mexico as a *sociedad anónima* (corporation with limited liability) for an indefinite duration, as a Mexican domicile, and with at least two shareholders.

4. Operational readiness

The application must include manuals and systems for approval, covering critical areas such as internal operations, anti-money laundering, risk management, credit approvals, ethics, compliance, accounting, and systems.

5. Officers and directors

The names, résumés as well as financial and suitability information of directors, officers and members of the board of directors, must be submitted to the CNBV for approval, ensuring they meet the required qualifications.

Approval process

The process involves two key stages.

1. Favourable opinion (preliminary authorisation)

Once the application is filed and reviewed, the CNBV may issue a favourable opinion. Normally this step would imply several follow-ups (*alcances*) from the CNBV requesting additional information. This preliminary authorisation allows the entity to incorporate as a bank and complete required procedures with authorities and third parties but does not permit banking activities.

2. Final authorisation and operational approval

The final authorisation is issued only after all operational aspects are approved, including the testing

and inspection of systems and procedures. The bank must have established links to local and international payment systems. Without operational readiness, the CNBV will not grant final approval.

Restrictions and ancillary activities

Licensed banks in Mexico are limited to the scope of activities specified in their authorisation. Any changes require CNBV approval. Ancillary activities, such as providing payment services or offering financial advice, are subject to separate approvals under applicable regulations.

Costs and engagement with regulators

The cost of obtaining a banking licence includes the deposit with *Banco del Bienestar* and operational expenses associated with meeting the CNBV's rigorous requirements. Entities seeking authorisation must maintain active engagement with the CNBV throughout the process to address any regulatory queries or adjustments.

3. Changes in Control

3.1 Requirements for Acquiring or Increasing Control Over a Bank

In Mexico, banks are subject to strict regulatory oversight regarding ownership and changes in control, with specific obligations for shareholders to inform or seek authorisation from the CNBV. The requirements vary based on the level of direct or indirect participation in a bank's capital.

Regulations Governing Changes in Control

General obligations during authorisation

During the authorisation process to establish a bank, potential shareholders must provide the CNBV with detailed information about their identity and financial resources.

Shareholding disclosure obligations

Once the bank is operational, shareholders – not the bank itself – are responsible for notifying or obtaining approval from the CNBV regarding any acquisitions or transfers of shares, in accordance with the applicable thresholds.

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- 2% to less than 5% ownership – shareholders acquiring or transferring ordinary shares representing 2% or more but less than 5% of the bank's paid-in capital must notify the CNBV within three business days.
- 5% or more ownership – for direct or indirect acquisitions of 5% or more of the bank's ordinary paid-in capital, or granting guarantees over such shares, prior authorisation from the CNBV is required. This process includes consultation with Banco de México.
- 20% or more ownership or control – any individual or group intending to acquire 20% or more of the bank's shares, or seeking to gain control over the bank, must obtain prior authorisation from the CNBV as stipulated in Article 17 of the Banking Law.

Regulatory Filings and Obligations

Pursuant to Articles 336 and 337 of the CUB, shareholders subject to the thresholds above must submit specific documentation, including identification, origin of the funds, suitability, and financial statements, as part of their notification or authorisation request to the CNBV.

Banks are required to ensure compliance with these obligations by refraining from registering non-compliant share transfers in their shareholder registry. Additionally, banks must notify the CNBV of such unauthorised transfers within five business days of becoming aware of them.

Consequences of Non-Compliance

If shareholders fail to notify or obtain the required authorisations, the equity and corporate rights associated with their shares will be suspended until the CNBV's authorisation is granted, and all requirements under the Banking Law are fulfilled.

Ongoing Requirements

Shareholders must maintain transparency in their ownership structure and ensure timely compliance with all reporting and approval requirements. Banks are obligated to monitor share transfers and report irregularities to the CNBV, fostering continued regulatory oversight and compliance.

4. Governance

4.1 Corporate Governance Requirements

Mexican banks are subject to various corporate governance and regulatory requirements under the Banking Law and the CUB. These requirements aim to ensure sound management, operational efficiency, and compliance with legal and ethical standards.

Statutory and Regulatory Requirements

Board of directors

- Banks must have a board comprising a minimum of five and a maximum of 15 directors.
- A majority of directors must be Mexican residents, though not necessarily Mexican nationals.
- At least 25% of board members must qualify as independent directors.

Organisational structure

While Mexican law does not mandate specific positions or bodies other than the CEO, Compliance Officer, and other technical positions, the CNBV expects certain roles to appear in a bank's organisational chart. These positions, which support operational and compliance obligations, typically include the following.

- Chief Executive Officer (CEO) – appointed by the board of directors, the CEO oversees operations and establishes administrative units;
- Chief Financial Officer (CFO), Chief Legal Officer, and Human Resources Manager – key roles supporting financial, legal, and personnel management;
- Credit Manager – presides over the Credit Committee and ensures compliance with credit origination protocols;
- Head of Credit Control Area – oversees independent credit control functions to guarantee proper credit origination processes;
- Chief Accountant and Financial Comptroller – signs financial statements and fulfils accounting obligations;
- Head of the Integrated Risk Management Unit (UAIR) – appointed by the Risk Committee, responsible for managing the bank's risk exposure;
- Internal Auditor and Director of Internal Control – ensure independent and effective internal audits and controls;

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- Anti-Money Laundering Compliance Officer – manages and enforces regulatory mechanisms to prevent money laundering;
- SPEI Compliance Officer – required for participation in the Mexican Payments System (SPEI);
- Chief Information Security Officer (CISO) – responds to information security requirements set by authorities; and
- Derivatives Brokers – banks trading financial derivatives must have at least two trained brokers.

Qualifications for Key Positions

Persons appointed to key roles must have strict qualifications, including:

- being a resident of Mexico;
- having at least five years of experience in high-level decision-making in financial or administrative matters;
- having integrity, creditworthiness, and compliance with credit obligations;
- having no involvement in inspection or oversight functions, pending litigation against the bank, or bankruptcy proceedings; and
- having awareness of rights and obligations tied to the role.

Diversity and Voluntary Codes

While there are no formal diversity quotas in Mexican banking regulation, the inclusion of independent directors fosters a balance of perspectives on the board. Many banks voluntarily implement diversity and inclusion initiatives to align with global corporate governance trends.

Binding Rules of Conduct

Bank employees are not subject to a formal Bankers' Oath; however, internal codes of ethics and conduct, often required as part of corporate governance practices, ensure that employees adhere to the highest professional and ethical standards.

4.2 Registration and Oversight of Senior Management

Refer to 4.1 Corporate Governance Requirements.

4.3 Remuneration Requirements

In Mexico, banks are required to implement, maintain, and continuously review a “Remuneration System” that encompasses all forms of compensation, whether monetary or otherwise. These requirements, established under the CUB, aim to align remuneration practices with prudent risk management and long-term stability.

Individuals Subject to the Remuneration Requirements

The Remuneration System applies to all individuals whose roles significantly impact the bank's risk profile, including members of the board of directors, senior management, and employees in administrative, control, and business units. The system must account for the risks inherent to the activities performed by each role.

Relevant Remuneration Principles

Banks must design their Remuneration Systems based on the following principles.

- Responsibilities and Governance: Banks must:
 - (a) define the roles of corporate bodies, such as the Remuneration Committee, responsible for implementing remuneration schemes; and
 - (b) ensure that the board of directors approves the Remuneration System and oversees its proper functioning, ensuring that the Remuneration Committee exercises independent judgement.
- Policies and Risk Alignment: Banks must:
 - (a) establish policies and procedures governing ordinary and extraordinary remuneration in line with reasonable risk-taking;
 - (b) consider risks faced by the bank, including liquidity, solvency, stability, and reputational risks, while making compensation decisions; and
 - (c) tailor remuneration schemes to each job profile, with adjustments for the specific risks associated with their activities.
- Performance and Extraordinary Remuneration:
 - (a) Performance evaluations for extraordinary remuneration must account for results observed over a reasonable period, not solely the financial year, to ensure alignment with long-term risk outcomes.

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- (b) Methods to mitigate risk include adjusting remuneration through risk-related factors, deferring payments, extending evaluation periods, and reducing short-term incentives.
- Flexibility in Risk Scenarios:
 - (a) The system must allow for reductions or suspensions of extraordinary remuneration in cases of losses or materialised risks exceeding expectations.
- Continuous Review and Disclosure: Banks must:
 - (a) ensure continuous review of their remuneration policies by the Remuneration Committee and the Comprehensive Risk Management unit; and
 - (b) disclose remuneration policies, the composition and functions of the Remuneration Committee, and risk analyses through their websites and annual reports.

Supervisory Approach

The CNBV oversees compliance with remuneration requirements by monitoring disclosures and conducting periodic reviews. Banks must maintain sufficient documentation to demonstrate compliance, ensuring that the Remuneration System aligns with the regulatory framework and supports long-term financial stability.

5. AML/KYC

5.1 AML and CFT Requirements

Mexico's banking sector is subject to robust anti-money laundering (AML) and counter-terrorist financing (CTF) regulations under the Banking Law and the *Reglas a las Que se Refiere el Artículo 115 de la Ley de Instituciones de Crédito* (the "Anti-Money Laundering Rules" or the "AML Rules").

As a member of the Financial Action Task Force (FATF) and the Financial Action Task Force of Latin America (GAFILAT), Mexico adheres to international standards and best practices. Mexican authorities actively cooperate with international counterparts to combat cross-border money laundering and terrorist financing activities.

Key Obligations for Banks

- Customer Identification: Banks must verify the identity of customers using reliable, independent source documents, data, or information.
- Know-Your-Customer (KYC): Banks must collect and maintain detailed information about the customer's identity, business activities, and the purpose of the account.
- Enhanced Due Diligence (EDD): Banks must apply additional scrutiny to high-risk customers, such as politically exposed persons (PEPs) and those from high-risk jurisdictions.
- Record-Keeping: Banks are required to maintain records of all transactions and customer information for at least ten years. This includes account-opening documents, transaction histories, and correspondence.
- Reporting Obligations:
 - (a) Suspicious Activity Reports (SARs): Banks must promptly report suspicious transactions or activities to the Financial Intelligence Unit (the UIF).
 - (b) Threshold Reporting: Transactions exceeding specified monetary thresholds, such as high-value cash transactions, must also be reported to the UIF.
- Internal Controls and Compliance Programmes: Banks must establish and maintain an effective AML/CTF compliance programme, which includes:
 - (a) developing written policies and procedures to detect and prevent money laundering and terrorist financing;
 - (b) providing regular training for employees on AML/CTF regulations, identifying red flags, and reporting procedures;
 - (c) conducting periodic independent audits to assess the effectiveness of the AML/CTF programme and ensure regulatory compliance; and
 - (d) regularly evaluating potential money laundering and terrorist financing risks, considering customer profiles, products, services, and geographic locations.

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6. Depositor Protection

6.1 Deposit Guarantee Scheme (DGS)

Mexico's depositor protection regime is governed by the *Ley de Protección al Ahorro* (the "Savings Protection Law" or the "IPAB Law") which established the *Instituto para la Protección al Ahorro Bancario* (the IPAB). The IPAB operates as a decentralised federal agency with its own legal personality, assets, and liabilities. Its mission is to safeguard bank savings and manage financial reorganisation programmes for distressed banks.

Administration of the Scheme

The IPAB is overseen by a board of governors composed of seven members: three appointed by the federal government and four independent governors approved by the senate upon the President's proposal. An executive secretary leads the agency's operations.

Coverage and Limits

The IPAB guarantees the payment of certain deposits and loans made to Mexican banks, up to a maximum of 400,000 UDIs (approximately USD135,000) per individual or corporate depositor across all accounts and loans with the bank. Payments are made within 90 days of the bank being declared in liquidation, "suspension of payments", or bankruptcy.

Depositors must submit documentation, such as agreements or account statements, to claim payments. However, certain obligations are excluded from IPAB's coverage, including the following:

- debts owed to Mexican or foreign financial institutions;
- obligations to entities within the same financial group as the bank;
- liabilities documented in negotiable instruments or bearer securities (unless held by the original owner);
- deposits or obligations in favour of shareholders, directors, senior management, or other specified individuals; and
- transactions conducted in violation of laws or good banking practices, or related to money laundering.

Subrogation and Additional Remedies

When the IPAB makes a payment, it is subrogated into the rights of the depositor or creditor in the relevant insolvency proceedings. Depositors and creditors may seek recovery of amounts exceeding the guaranteed limit through other legal means.

Financial Support for Banks

In exceptional circumstances, the IPAB may provide financial support to distressed banks on its own initiative or at the request of the CNBV. Support measures include the following:

- subscription of shares or subordinated debentures;
- assumption of liabilities; and
- loans or acquisition of loan portfolios or other assets.

Such assistance is contingent on a cost-benefit analysis confirming that supporting the bank is less expensive than paying the guaranteed obligations. The bank must agree to a financial reorganisation programme, with its voting shares pledged as collateral. If obligations are not met, the IPAB becomes the owner of the pledged shares and assumes control of the bank's management.

Funding of the Scheme

Mexican banks finance the deposit guarantee scheme through ordinary and extraordinary contributions:

- ordinary contributions – at least 0.004% of the bank's annual funding operations;
- extraordinary contributions – capped at 0.003% of the bank's annual funding operations; and
- combined contributions cannot exceed 0.008% of a bank's funding operations in a single year.

Conclusion

The IPAB plays a vital role in safeguarding depositor funds and maintaining stability in Mexico's banking system. By guaranteeing deposits and managing distressed banks, it ensures confidence and continuity within the financial sector.

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7. Prudential Regime

7.1 Capital, Liquidity and Related Risk Control Requirements

Mexico's banking regulatory framework is aligned with international standards, including Basel III, as implemented by the CNBV through the CUB, and the Banking Law. Below is a summary of key requirements and the regulatory framework.

Basel III Standards and Implementation

Mexico fully adopted Basel III standards through amendments to the Banking Law and the CUB, implemented by the CNBV in co-ordination with Banco de México. These reforms:

- updated the definition of net capital, comprising capital contributors, retained earnings, and reserves; and
- mandated minimum capital adequacy ratios for banks, requiring:
 - (a) Total Capital Ratio: 10.5%, including a Capital Conservation Buffer;
 - (b) Tier 1 Capital Ratio: 8.5%, inclusive of the buffer; and
 - (c) Fundamental Capital Ratio: 7%, inclusive of the buffer.

The CNBV may impose additional capital requirements or buffers, such as counter-cyclical buffers, to mitigate risks during economic downturns. While Mexico's adoption aligns closely with Basel III, the rules allow flexibility, granting the CNBV discretionary power to adapt requirements to local market conditions.

Risk Management Rules

Mexican banks must implement comprehensive risk management frameworks encompassing credit, liquidity, market, operational, and technological risks. Key requirements include the following:

- establishing Risk Committees and Risk Management Units;
- defining and monitoring exposure limits;
- conducting regular stress tests and submitting risk assessments to the CNBV; and

- adopting sound methodologies for measuring and mitigating risks.

Failure to comply with these standards can lead to CNBV intervention, including imposing corrective measures or limitations on specific activities.

Risk exposures are monitored regularly, and banks must submit risk reports to the CNBV, including data on large exposures, related-party lending, and sectoral concentrations.

Capital Requirements and Buffers

Mexican banks' capitalisation requirements follow Basel III principles but are tailored for local conditions.

- Minimum Paid-In Capital: This is 90 million UDIs (approximately USD36 million).
- Legal Reserves: Banks must allocate 10% of net income annually to reserves until they equal 100% of paid-in capital.
- Capital Composition: Aggregate net capital is divided into Core Equity Tier 1 (eg, paid-in capital, retained earnings, and reserves), Additional Tier 1 (eg, perpetual preferred shares and subordinated debt), and Tier 2 capital (eg, long-term subordinated debt with phased inclusion based on maturity).
- Corrective Measures: Non-compliance with capital ratios results in restrictions, such as dividend suspensions, bonus limits, or debt term adjustments.

This framework ensures banks maintain robust loss-absorbing capacity while aligning with international standards.

Liquidity Requirements

The amendments to the Banking Law also reinforced liquidity measures. Banks must comply with the Liquidity Coverage Ratio (LCR) and maintain adequate liquidity buffers to meet short-term obligations. If a bank's liquidity falls below mandated thresholds, the CNBV may:

- require a restoration plan;
- suspend certain operations; or
- impose operational restrictions.

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Additionally, Banco de México supervises compliance with liquidity ratios to ensure resilience during market shocks.

Systemically Important Banks

Systemically important banks (SIBs) are subject to heightened regulations due to their potential impact on the financial system. Requirements include the following.

- **Additional Capital Buffers:** SIBs must maintain higher capital ratios. The supplementary capital is being phased in between 2022 and 2025.
- **Exposure Limits:** The CNBV imposes caps on exposures to interconnected counterparties to prevent excessive concentration risk.
- **Enhanced Supervision:** SIBs undergo more frequent and detailed regulatory reviews.

Conclusion

Mexico's banking regulation aligns with international standards, ensuring robust capital adequacy, liquidity, and risk management frameworks. These measures enhance financial stability while allowing regulatory flexibility to address local market conditions. For systemically important institutions, stricter requirements ensure their resilience, safeguarding the broader economy.

8. Insolvency, Recovery and Resolution

8.1 Legal and Regulatory Framework

The Mexican banking system is governed by a robust legal and regulatory framework aimed at maintaining financial stability and protecting depositors. The key elements of this framework include licensing requirements, intervention mechanisms, resolution strategies, and specific insolvency rules.

Mexico's framework for the insolvency, recovery, and resolution of banks is primarily governed by the Banking Law and the Bank Savings Protection Law (*Ley de Protección al Ahorro Bancario*, the LPAB), under the supervision of the CNBV and the *Instituto para la Protección al Ahorro Bancario* (IPAB). These laws provide mechanisms to ensure financial stability and protect depositors during bank failures.

Principal Means of Resolving a Failing Bank

The resolution of a failing bank involves various stages under the Banking Law.

- **Intervention:** The CNBV may declare managerial intervention if a bank's capital ratios fall below regulatory thresholds or if significant payment obligations are not met. If IPAB provides financial support, it appoints a "peremptory manager" with full authority to manage the bank during intervention.
- **Revocation of Banking Licence:** When a bank's licence is revoked due to insolvency or other violations, the IPAB assumes responsibility for liquidation. This process involves transferring assets and liabilities to other banks, establishing a new temporary bank, or pursuing other measures to minimise depositor impact.
- **Liquidation Process:** Liquidation follows the CNBV's resolution, with the IPAB acting as liquidator. In cases of insolvency, liquidation is managed through court procedures tailored to the banking sector, ensuring priority payments according to established rules.

When a bank faces insolvency or financial instability, the following mechanisms are employed.

- **Recovery Plans:** Banks are required to maintain recovery plans detailing measures to restore financial health during periods of distress.
- **Resolution Process:** The resolution process includes intervention by the CNBV and measures under the LPAB, such as the following:
 - (a) appointment of an administrator to manage the bank and stabilise operations;
 - (b) transfer of assets and liabilities to another financial institution or a bridge bank; and/or
 - (c) as a last resort, liquidation may occur under CNBV and IPAB oversight to ensure an orderly process.
- **Deposit Insurance and Payouts:** The IPAB guarantees deposits up to a maximum of 400,000 UDIs (approximately USD135,000), ensuring that depositors are compensated promptly.

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Implementation of the Financial Stability Board's Key Attributes of Effective Resolution Regimes

Mexico has implemented key elements of the Financial Stability Board (FSB) Key Attributes of Effective Resolution Regimes, including the following.

- **Legal Authority:** The CNBV and IPAB have broad legal powers to intervene in failing banks, including transferring critical functions and restructuring liabilities.
- **Resolution Planning:** Banks designated as systemically important are subject to recovery and resolution planning to minimise systemic risks.
- **Continuity of Critical Functions:** The LPAB mandates that resolution efforts prioritise continuity of essential services, such as deposit-taking and payment processing.
- **Bail-In Mechanisms:** While not fully developed, certain tools allow for creditor and shareholder loss absorption to reduce reliance on public funds.

Insolvency Preference Rules Applicable to Deposits

Under Mexican law, depositors enjoy priority in insolvency proceedings.

- **Deposit Preference:** Insured deposits covered by the IPAB (up to 400,000 UDIs – approximately USD135,000) are paid first from the liquidation proceeds. The IPAB Law guarantees deposits in the above-mentioned amounts per person per institution.
- **General Deposits:** Uninsured deposits have a higher priority over other unsecured creditors but rank below secured creditors. Upon liquidation, payment preferences are established as follows:
 - (a) secured or pledged credits;
 - (b) liquid and enforceable labour liabilities;
 - (c) tax liabilities;
 - (d) IPAB-related claims, including guaranteed obligations;
 - (e) bank deposits, loans, and other liabilities;
 - (f) preferred subordinated debentures;
 - (g) non-preferred subordinated debentures; and
 - (h) shareholders.

Unsecured obligations cease to accrue interest upon liquidation, and derivatives or repurchase transactions are terminated and netted.

- **IPAB Reimbursement:** As shown above, the IPAB, after compensating insured depositors, has a claim against the failed bank's estate, ranking after insured depositors and before other unsecured creditors.

Conclusion

Mexico's legal and regulatory framework aligns closely with international standards, including the FSB Key Attributes. The framework emphasises depositor protection, systemic stability, and orderly resolution, with clear priorities in insolvency proceedings and tools to manage failing banks effectively.

9. ESG

9.1 ESG Requirements

Banking Regulatory Requirements Related to ESG in Mexico

Mexico's financial sector is undergoing significant regulatory changes to align with global environmental, social and governance (ESG) standards. These adjustments aim to integrate sustainability into financial practices and reflect Mexico's commitments to reducing greenhouse gas emissions and combating climate change. Below are the key ESG-related banking regulatory requirements currently shaping the sector.

Mexican sustainable taxonomy

Launched in March 2023 by the Ministry of Finance and Public Credit, the sustainable taxonomy is a cornerstone of Mexico's ESG framework. It serves as a science-based classification tool to identify sustainable economic activities across six sectors:

- **agriculture** – includes farming, forestry, and greenhouse operations;
- **energy and water supply** – encompasses renewable energy and water treatment projects;
- **construction** – focuses on sustainable housing and infrastructure;

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- manufacturing – covers industries like cement and steel with climate mitigation thresholds;
- transportation – targets sustainable public and freight transport systems; and
- waste management – supports recycling and safe waste disposal practices.

This taxonomy mandates financial institutions to consider sustainability metrics when funding projects, ensuring they align with climate change adaptation, gender equality, and basic service access objectives.

Sustainable financing mobilisation strategy

Published in September 2023, this strategy is designed to align Mexico's financial system with sustainability goals. Its three pillars include the following:

- sustainable public financial management – integrating sustainability into public finance systems;
- sustainable financing mobilisation – encouraging private-sector investment in sustainable projects; and
- transversal actions – promoting inclusiveness, gender equality, and social impact monitoring.

The strategy fosters a conducive environment for ESG-compliant financial practices, including low-cost financing for sustainable activities and transparent information disclosure.

Amendments to financial laws

Recent changes to the Securities Market Law and Mutual Funds Law (November 2023) reinforce climate action. These amendments empower the Ministry of Finance to issue provisions for monitoring sustainable development and gender equality within securities markets. This legal framework promotes accountability and transparency among financial institutions.

Sustainability Information Standards (NIS)

In May 2024, the Mexican Council for Financial Information and Sustainability Standards introduced NIS A-1 and B-1:

- NIS A-1 – establishing a conceptual framework for sustainability disclosures, providing quality and consistency standards; and

- NIS B-1 – requiring disclosure of Basic Sustainability Indicators (IBSO), promoting transparency on entities' sustainability performance.

These standards are harmonised with international frameworks like the IFRS Sustainability Disclosure Standards, ensuring Mexico's alignment with global practices.

Self-assessment tool for ESG risks

Developed by the CNBV, this tool helps financial institutions evaluate their integration of ESG factors and climate-related risks. Based on global guidelines, it covers:

- corporate governance for sustainability;
- ESG factors in operations; and
- climate-related risk mitigation.

The tool generates confidential reports for internal use while providing aggregated benchmarks for Mexico's financial sector.

ESG obligations for pension fund managers

Effective January 2022, Mexican pension fund managers (AFOREs) are required to consider ESG criteria when making investment decisions. This regulation ensures that pension funds contribute to sustainable economic and environmental projects, maximising benefits for the economy and society.

Conclusion

Mexico's regulatory developments reflect a broader commitment to embedding ESG principles into its financial framework. From the introduction of the sustainable taxonomy to enhanced disclosure standards and tools, the nation is creating a robust environment for sustainable financing. These efforts not only support Mexico's climate goals but also position its financial sector as a key player in the global transition to a sustainable economy. Financial institutions operating in Mexico must now navigate these regulations to ensure compliance while leveraging opportunities to support environmentally and socially impactful initiatives.

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10. DORA

10.1 DORA Requirements

While the Digital Operational Resilience Act (DORA) is an EU regulation and does not directly apply in Mexico, certain regulatory frameworks in Mexico address operational resilience, cybersecurity, and third-party risk management in the banking sector, which align with DORA's objectives.

ICT Risk Management

The CNBV requires financial institutions to implement robust frameworks for managing risks related to information and communication technology (ICT). Banks must establish internal controls, regularly assess vulnerabilities, and adopt measures to mitigate cybersecurity threats as per the CUB.

Incident Reporting

Mexican banks must report significant operational or cybersecurity incidents to the CNBV promptly. This is outlined in Article 168 Bis 16 of the CUB, which aims to address and protect operational continuity and cybersecurity, ensuring transparency and timely intervention in the event of disruptions.

Third-Party Risk Management

Financial institutions are obligated to oversee and manage risks associated with third-party service providers, especially those offering ICT services. Regulations require due diligence, regular monitoring, and contractual safeguards to ensure resilience across outsourced operations.

Operational Continuity and Disaster Recovery

Banks in Mexico are required to maintain robust business continuity and disaster recovery plans, aligning with best practices for operational resilience. Testing and periodic updates of these plans are mandatory to ensure preparedness for operational disruptions.

International Standards Influence

While DORA is not directly applicable, Mexican regulators are influenced by global standards and practices, including those of the EU, to maintain international competitiveness and ensure the stability of cross-border banking operations. Mexican banks with EU operations or partnerships are particularly mind-

ful of DORA's requirements to maintain compliance in those jurisdictions.

These requirements reflect Mexico's commitment to operational resilience in the financial sector, even though DORA itself does not impose direct obligations. Mexican banks should stay vigilant regarding international developments to ensure alignment where cross-border operations.

11. Horizon Scanning

11.1 Regulatory Developments

Local Repo Master Agreement

A significant regulatory milestone in the Mexican financial markets was the issuance of the new local master agreement for repo transactions (the *Contrato Marco de Compraventa de Valores y Reporto*), jointly developed by the Mexican Banking Association (*Asociación de Bancos de México*, the ABM) and the Mexican Association of Broker Dealers (*Asociación Mexicana de Instituciones Bursátiles*, the AMIB). This new framework was prepared in co-ordination with market participants to align the documentation with the recent amendments to the Reporto Regulations issued by Banco de México, which modernised the operational and prudential rules applicable to repo transactions.

The new master agreement introduces several structural innovations long awaited by the market, including the ability to substitute the underlying securities during the term of the transaction, subject to some rules, the incorporation of tri-party repo mechanisms operated through custodians, and the possibility to enter into evergreen and open repo structures.

These features are designed to enhance collateral mobility, reduce settlement risk, and harmonise local practices with international standards such as those under the Global Master Repurchase Agreement (GMRA). The implementation of the new local master agreement represents a major step toward greater efficiency and legal certainty in the Mexican repo market, supporting broader efforts to deepen secondary market liquidity and improve collateral management practices in the financial system.

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Global Ethics Code for FX Transactions

Banco de México's Circular 5/2025 updates Circular 22/2017 by replacing Annex 1 with the December 2024 revision of the FX Global Code, aligning Mexico's wholesale FX conduct standards with the latest guidance from the Global Foreign Exchange Committee. The revised annex reiterates the Code's six pillars, which are:

- ethics;
- governance;
- execution;
- information sharing;
- risk and compliance; and
- post-trade confirmation/settlement,

and embeds detailed expectations on topics like fair handling of client orders, price firmness versus indications, disclosures around execution policies and fees, treatment of stop-loss and fixing orders, use of algorithms and aggregation, controls and transparency for "last look", parameters for pre-hedging when acting as principal, and the protection and use of confidential information. It also strengthens post-trade controls by emphasising settlement-risk reduc-

tion and includes illustrative examples and a glossary to drive consistent market practice. The amendments were exempted from public consultation because they solely align local rules with the updated global Code and take effect the day after publication in the *diario oficial* (official gazette).

From a compliance standpoint, the key operative change is procedural: entities that previously notified Banxico of their adherence must submit a new communication confirming adherence under the updated Code by 30 April 2026; those that fail to do so will be listed as if they had determined not to adhere, without prejudice to applicable sanctions. The Circular applies to banks, broker-dealers, exchange houses, and other group-affiliated intermediaries active in Mexico's FX market. Substantively, while the Code itself is not law, the incorporation of its updated text into Banxico's reporting framework raises the supervisory salience of its good-practice principles, particularly around transparency in execution and disclosures, management of conflicts when acting as principal versus agent, data-sharing practices on electronic platforms, and robust operational controls to mitigate settlement and conduct risks.

Trends and Developments

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Ritch, Mueller y Nicolau, S.C.

Ritch, Mueller y Nicolau, S.C. is a top-tier multidisciplinary transactional firm committed to offering high-value legal advice to national and international clients engaged in structuring, developing and financing private businesses and public-sector projects in Mexico. The firm represents Mexican, international and multi-lateral banks, as well as other financial intermediaries in secured and unsecured, bilateral and syndicated lending transactions of different levels of complexity involving Mexican obligors or assets. With a consistent presence in the market, Ritch Mueller has actively

participated in all phases of the credit cycle, including origination in bull markets as well as restructuring in the context of regional or global crises. The firm has played a pivotal role in advising the majority of foreign financial institutions that have established subsidiaries in Mexico, guiding them through the authorisation processes. Additionally, Ritch Mueller extends advisory services to industry organisations such as ISDA and the Mexican Banking Association, particularly in derivatives transactions within the Mexican market.

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MEXICO TRENDS AND DEVELOPMENTS

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FinCEN Orders, CNBV Intervention, and Regulatory Implications for Transactions With Three Mexican Financial Institutions

When the US Financial Crimes Enforcement Network (FinCEN) issued orders against two Mexican banks and one broker dealer, it set off a chain of events that quickly crossed borders and affected everyday financial operations in Mexico. The authors will explain the reasons why the FinCEN orders were so relevant and the reaction of Mexico's banking regulator (*Comisión Nacional Bancaria y de Valores*, the CNBV). Finally, the authors will describe how these actions influenced routine transactions such as payments, transfers, and agreements. The most recent developments will also be highlighted, including the CNBV's revocation of CIBanco's banking licence. Above all, the discussion that follows shows how interconnected the Mexican and US financial systems are, and why Mexico's rules and market practices should adapt, and market participants should be prepared, so that when foreign measures ripple through the system, banks and businesses can keep meeting their obligations, protect customers, and uphold strong anti-money laundering standards without disrupting essential payment and funding flows.

FinCEN orders: what they are, context, and background

On 25 June 2025, FinCEN issued orders identifying three Mexican financial institutions (the "Designated Entities") as foreign financial institutions of primary money laundering concern and prohibiting "covered financial institutions" under US law from making or receiving certain transmittals of funds to or from those entities once the orders took effect. The orders apply by reference to the Bank Secrecy Act and its implementing regulations, and they are not limited to US correspondent banks. The compliance date was extended twice to 20 October 2025.

There were three features of scope and application that proved material for market practice regarding the FinCEN orders.

1. The orders are binding on US covered institutions and have immediate extraterritorial effects through US dollar clearing, correspondent relationships, and enterprise-wide risk and compliance standards appli-

cable to US-regulated groups and their global affiliates. Mexico-based subsidiaries of US groups faced strong prudential and policy reasons to align their conduct with the orders, even where the orders were not directly binding under Mexican law.

2. The orders cover situations in which the Designated Entities acted not only in their own name, but also in capacities that could involve cash flows intersecting the US system. However, some of them involved trustees of Mexican trusts, which complicated matters further. A FinCEN guidance later clarified that covered US institutions were not prohibited from engaging in a transmittal of funds to or from a trust for which one of the Designated Entities is a trustee if the trust account is held at a financial institution other than the Designated Entities. Market participants relied on this clarification to restructure payments via non-designated third bank trust accounts.

3. The timing overlapped with Mexican supervisory measures. On 26 June 2025, the CNBV decreed a temporary administrative intervention for the two Mexican banks under the Banking Law (*Ley de Instituciones de Crédito – LIC*), and for the broker dealer under the Securities Market Law (*Ley del Mercado de Valores – LMV*), with notices from the *Instituto para la Protección al Ahorro Bancario* (the IPAB) in the Mexican official gazette of the Federation concerning the appointment of the administrative intervention of the Designated Entities. Together, the US prohibitions and Mexican administrative measures reshaped the legal and operational environment for domestic and cross-border payments, fiduciary services, and contractual performance.

Mexican law treats foreign measures through two lenses. As a matter of territorial jurisdiction, the orders are not per se binding on Mexican entities. But they can create a supervening compliance and prudential context for Mexico-based subsidiaries of US financial groups and for Mexican entities reliant on US dollar clearing and correspondent services. In practice, the orders were a regulatory "derisking event" that compelled counterparties to reassess performance and seek either lawful alternative payment channels or contractual exits.

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There is also a civil law baseline. Force majeure under Mexican law requires absolute impossibility of performance for any similarly situated party, not mere difficulty, expense, or heightened risk. Because lawful alternative mechanisms typically exist (such as judicial consignation, third-party trust routing, and, in appropriate cases, use of cashier's checks or certified checks), force majeure would usually not excuse performance in the abstract, as further discussed below.

CNBV intervention: measures under LIC and LMV and administrative mechanics

The CNBV's Board decreed temporary managerial intervention on 26 June 2025. For the two banks, intervention was decreed pursuant to Article 129 of the Banking Law, with IPAB publishing the corresponding administrative appointments in the official gazette of the Federation. For the broker dealer, intervention was decreed under Article 141 of the Securities Market Law via the appropriate CNBV communication.

Administrative intervention is a prudential tool short of resolution. It preserves going concern operations under the oversight of appointed administrators; there is no automatic moratorium on payments or stay of contractual performance. However, the intervention typically triggers default and termination mechanics across a wide range of contractual instruments because Mexican financial contracts often treat "*intervención*" as an insolvency-type event.

Under the Local Master Derivatives Agreement (CMOF), Clause 7.7.5 expressly treats administrative intervention as an Event of Default, entitling the non-defaulting party to designate an Early Termination Date and close out on a net basis, including collateral netting under the related credit support agreement.

Under the ISDA Master Agreement, intervention falls within the definition of "Bankruptcy" under Section 5 (a)(vii), and the FinCEN orders may support "Illegality" under Section 5 (b)(i), either of which can justify termination or suspension.

Many loan, agency, and trust agreements include "*intervención*" within the insolvency definitions or "material adverse change" and "governmental action"

clauses, enabling resignation of agency roles, assignment or transfer mechanics, or termination.

Despite the absence of a legal stay, the combination of the US prohibitions, group-level risk standards, and the CNBV's administrative action created a de facto constraint on further dealings with the Designated Entities. Structured exits, or carefully managed performances, are described below, particularly for trusts where the Designated Entities acted as trustees.

- Trustee substitution is legally feasible but procedurally complex. Resignation requires "serious cause" (*causa grave*) and judicial approval; amendments, consents of settlors and beneficiaries, public registry updates, and tax record updates can be time consuming. To mitigate paralysis of cash flow obligations, the parties have the possibility to make payments to new accounts opened at third banks, use escrow structures, or resort to judicial consignation while the substitution is processed.
- The trustee's duty of adherence to instructions is not absolute. Under Article 115 of the Banking Law and its General Rules, Mexican banks, including when acting as the trustee, may, in certain limited cases, argue to decline to execute instructions that present credible AML/CFT risks, provided refusals are grounded in internal policies, documented risk assessment, and timely reporting to the Mexican Intelligence Unit (the UIF).

In short, intervention opened contractual exit routes and made continuation of many roles impractical or high risk; yet it did not, by itself, bar payments or absolve performance. That legal posture frames the transactional decision tree addressed next.

Relevant transactional issues: denial of payments, termination, and denial of transfers

There were mainly three implications regarding the management of obligations to, from, or involving the Designated Entities:

- when and how to deny payments;
- when and how to terminate or otherwise exit agreements; and

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- how to handle transfers in regulated payment systems (SPEI and SPID) and cheque clearing (CECOBAN).

Denial of payments

Banks operating in Mexico are generally required to accept and process all transfers that meet legal and operational rules, including Banco de México's Circular 3/2012. Once a payment order is accepted and processed by Banco de México within SPEI or SPID, it becomes firm, irrevocable, and unopposable to third parties. That finality severely limits ex post refusals.

At the same time, Article 115 of the LIC and its General Rules empower and obligate banks to identify and act upon AML/CFT risk. Where there are reasonable indicators that a transaction may involve proceeds of unlawful activity or terrorist financing, including signals derived from foreign authorities such as FinCEN, banks can decline to execute a transaction at the pre-acceptance validation stage, provided the refusal is grounded in internal criteria and reported as an "unusual operation" to the UIF within 24 hours. Mexican jurisprudence has recognised that banks perform a delegated public function when blocking accounts or declining high-risk transactions, reinforcing the defensibility of prudent, documented refusals.

However, two civil law guardrails are important to highlight. First, force majeure requires absolute impossibility; if lawful alternatives exist, wholesale refusal to pay is not defensible. Second, wrongful withholding of client funds is not legal under Mexican law; any account closure or service termination must promptly return funds via lawful mechanisms (eg, trust routing, cheques, and consignment), discontinuing unilateral retention.

Termination of agreements

Across derivatives, fiduciary, agency, commission, and other roles, there are several exit routes. For derivatives, CMOF, Clause 7.7.5 (intervention default) and ISDA, Sections 5 (a)(vii) (Bankruptcy) and 5 (b) (i) (Illegality) support early termination and net close out, including collateral netting. Best practice includes timely reservation of rights, precise designation of early termination dates, and service of notices with notarial support to reduce litigation risk.

For administrative or collateral agency, standard loan documentation allows resignation on notice and successor appointment. If appointment stalls, the outgoing agent often holds a back-stop right to appoint a successor on behalf of lenders. Where resignation is impractical, assignment of the agent's position or the underlying participation to an eligible transferee is a viable option, subject to contractual eligibility criteria.

For commission agent (*comisionista*) roles under the Commerce Code, the strict duty to follow the principal's instructions must be balanced with AML/CFT obligations. The better route to follow is to find contractual solutions, such as substitution of the agent, and scope limitations that exclude dealings with the Designated Entities.

For trusts, immediate substitution of the trustee is the anchor recommendation. Where delayed, payment mechanics can be amended to route funds through newly opened accounts at a third bank, hold in escrow, or consign. AML grounds justify declining instructions that pose credible risk, with appropriate documentation and reporting.

In conclusion, a staged approach should be followed when counterparties hesitate to terminate:

- provide notice of intervention/default and reserve rights;
- pursue consensual termination or assignment; and
- if needed, execute unilateral termination under identified clauses.

Where neither termination nor safe performance routing is feasible, consignment provides a lawful discharge.

Denial of transfers (SPEI, SPID, CECOBAN direct debit)

Payment system architecture imposes hard constraints. In SPEI and SPID, refusal after Banco de México has processed an order is not an option; payments are final and irrevocable. Any refusal must occur during authentication/validation before injection into the system. Non-compliance can trigger per-event monetary penalties, compensation fees for delays, potential suspension/disconnection if system-

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ic harm is found, and, in persistent cases, exposure to CNBV licence revocation proceedings. Documented AML-based refusals at validation are, however, legally defensible and should be reported as unusual operations.

For CECOBAN direct debit (*domiciliación*), it is important to distinguish between restricting a service and rejecting a cleared payment. Before submission into CECOBAN's clearing, a bank can remove entities from the catalogue and discontinue the direct debit service with proper notice - this restricts a channel, not a cleared payment, and customers retain other payment avenues. After clearing, participating institutions must settle; refusal is not permitted. Service agreement provisions typically allow amendments/termination on notice or to comply with regulatory mandates, provided operational changes are co-ordinated and customers are notified with reasonable migration periods.

Latest developments, outcomes, and how Mexican regulation should adapt

The CNBV's revocation of CIBanco's authorisation was published in the official gazette (evening edition of 13 October 2025), and the CNBV announced the initiation of the voluntary liquidation and depositors' payment processes in co-ordination with IPAB. These actions move CIBanco from the administrative intervention phase to an orderly exit from the market, with depositor protection mechanisms activated. This happened after the Ministry of Finance and Public Credit (SHCP) reported progress in the sale of a significant portion of the Designated Entities' operations, including movements to transfer trustee portfolios. This supports fiduciary continuity and reduces market disruption in structured finance and capital markets vehicles where the Designated Entities acted as trustees or common representatives. Additionally, both the CNBV and FinCEN imposed monetary fines on the Designated Entities.

Conclusion

The FinCEN orders against the Designated Entities, followed by the CNBV's administrative interventions, created an immediate, complex overlay of US and Mexican legal constraints. Mexican law neither automatically imports foreign measures nor excuses performance simply because performance becomes more difficult or reputationally costly. Rather, parties must thread the needle: use lawful alternative performance mechanisms, activate contractual exit or suspension rights, and ensure AML/CFT compliance and UIF reporting. In payment systems, the finality of SPEI/SPID and CECOBAN clearing sharply limits after-the-fact refusals, channelling risk management into pre-acceptance validation and service catalogue adjustments.

The latest developments confirm the expected trajectory: FinCEN's sanctions became operational and were accompanied by civil monetary penalties; the CNBV revoked a banking licence, initiating liquidation and depositor payout; and there was concrete progress in selling portions of operations and trustee portfolios to preserve financial market continuity.

Looking forward, the trends and developments of the Mexican financial market will be heavily influenced by all of this. Market participants should prevent and have safe harbours in place for the ordered exit of new Designated Entities and also to prevent any AML/CFT concerns from the US government. In the authors' view, FinCEN orders were a message to the whole financial system. The cross-border nature of modern finance guarantees that this will not be the last instance of this kind, and it is necessary to be prepared.

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