



ASSOCIATION FOR  
FINANCIAL  
PROFESSIONALS

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## CASH AND TREASURY MANAGEMENT COUNTRY REPORT

# MEXICO

# Executive Summary

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## Banking

Mexico's central bank, Banco de México (Banxico), is an independent body under the country's constitution. It is responsible for monetary policy and is lender of last resort and provider of treasury services to the federal government. Banco de México shares responsibility for exchange rate policy and regulatory supervision of the finance sector with the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público).

Mexico does not apply central bank reporting requirements or export controls.

Resident entities are permitted to retain both MXN (Mexican peso) and foreign currency bank accounts domestically and abroad. Non-resident entities may hold domestic and foreign currency bank accounts within Mexico. Local currency accounts are not convertible into foreign currency.

Mexico's stable and well capitalized banking system is dominated by large foreign-owned institutions following a period of privatization and consolidation in the early 2000s sparked by legislation permitting foreign investment in the sector. Banks currently operating in Mexico include 21 financial groups, 50 multiple banks, six development banks, 84 credit unions and 39 representative offices of foreign banks.

## Payments

Mexico's high- and low-value clearing systems (SPEI and SICAM) are owned and operated by the central bank. CECOBAN, a consortium of banks, owns and operates CCEN, a clearing system for retail payments.

Electronic credit transfers are widely used by large companies, while debit and credit cards are very popular for retail payments. Cash and checks are still commonly used by smaller firms and households. Internet-based electronic banking services are offered to both corporate and retail customers.

## Liquidity Management

Banks in Mexico offer a wide range of short-term investment and borrowing options in both MXN and USD.

Cash concentration is permitted for resident and non-resident accounts held in both MXN and USD. It is possible but rare to include accounts held by different legal entities within the same group.

Notional pooling is not permitted in Mexico.

## Trade Finance

Mexico is a member of the North American Free Trade Agreement, and has many agreements with countries in Latin America and Europe. Mexico conducts more than 90% of its trade with the over 45 countries that have signed free trade terms.

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# PNC's International Services

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*PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.*

## International Funds Transfers

International Funds Transfers to over 130 countries in USD and foreign currency can be accessed through PINACLE®, PNC's top-rated, online corporate banking portal.

## Multicurrency Accounts

Set up demand deposit accounts that hold foreign currency instead of U.S. dollars. These accounts offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. You can easily view deposit and withdrawal details through PINACLE.

## PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations.

## Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including USD equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

## Establish accounts in foreign countries

Establishing good banking relationships in the countries where you do business can simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's

team will serve as a point of contact for setting up the account helping with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.

- PNC's Gateway Referral service can connect you to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

## Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a risk management strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

## Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

## Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.<sup>1</sup>

## Economic Updates

Receive regular Economic Updates from our senior economist by going to [pnc.com/economicreports](https://pnc.com/economicreports).

(1) Information compiled from Freedom of Information Act resources.

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# Financial Environment

## Country Information

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### Geographical Information

<b>Capital</b>	Mexico City
<b>Area</b>	1,964,375 km <sup>2</sup>
<b>Population</b>	124.57 million (July 2017 estimate)
<b>Official language</b>	Spanish
<b>Political leader</b>	Head of state and government — President Enrique Peña Nieto (since December 2012). President-elect Andres Manuel Lopez Obrador will take office on December 1, 2018.

### Business Information

<b>Currency (+ SWIFT code)</b>	Mexican peso (MXN)
<b>Business banking hours</b>	Business: 09:00–18:00 (Mon–Fri) Some businesses close from 14:00 to 16:00 but remain open to 20:00. Banking: 08:00–19:00 (Mon–Fri) Some banks have shorter hours but open on Saturdays.
<b>Bank holidays</b>	2018 — November 2, 19, December 1, 12, 25 2019 — January 1, February 4, March 18, April 18–20, May 1, September 16, November 2, 18, December 12, 25 2020 — January 1, February 3, March 16, April 9–11, May 1, September 16, November 2, 16, December 12, 25 <small>(Source: <a href="http://www.goodbusinessday.com">www.goodbusinessday.com</a>)</small>
<b>International dialing code</b>	+ 52

## Country Credit Rating

Fitch Ratings last rated Mexico on March 16, 2018 for issuer default as:

Term	Issuer Default Rating
Short	F2
Long	BBB +
Long-term rating alert	Stable

Source: [www.fitchratings.com](http://www.fitchratings.com), October 2018.

## Economic Statistics

### Economics Table

		2012	2013	2014	2015	2016
<b>GDP per capita</b>	<b>(USD)</b>	9,704	10,174	10,328	9,079	8,172
<b>GDP</b>	<b>(MXN billion)</b>	15,599	16,079	17,214	18,127	19,523
<b>GDP</b>	<b>(USD billion)</b>	1,185	1,259	1,295	1,144	1,046
<b>GDP volume growth*</b>	<b>(%)</b>	+ 4.0	+ 1.4	+ 2.3	+ 2.6	+ 2.9
<b>BoP (goods, services &amp; income) as % GDP</b>		- 3.3	- 4.1	- 3.7	- 4.9	- 4.7
<b>Consumer inflation*</b>	<b>(%)</b>	+ 4.1	+ 3.8	+ 4.0	+ 2.7	+ 2.8
<b>Population</b>	<b>(million)</b>	122	124	125	126	128
<b>Unemployment</b>	<b>(%)</b>	4.9	4.9	4.8	4.3	3.9
<b>Interest rate (local currency MMR) † (%)</b>		4.79	4.28	3.52	3.32	4.47
<b>Exchange rate‡</b>	<b>(MXN per USD)†</b>	13.169	12.772	13.292	15.848	18.664

  

		2017			2018	
		Q3	Q4	Year	Q1	Q2
<b>GDP per capita</b>	<b>(USD)</b>	-	-	8,922	-	-
<b>GDP</b>	<b>(MXN billion)</b>	-	-	21,785	-	-
<b>GDP</b>	<b>(USD billion)</b>	-	-	1,151	-	-
<b>GDP volume growth*</b>	<b>(%)</b>	+ 1.7	+ 1.6	+ 2.1	+ 2.3	NA
<b>BoP (goods, services &amp; income) as % GDP</b>		-	-	- 4.1	-	-
<b>Consumer inflation*</b>	<b>(%)</b>	+ 6.5	+ 6.6	+ 6.0	+ 5.3	+ 4.6
<b>Population</b>	<b>(million)</b>	-	-	129	-	-
<b>Unemployment</b>	<b>(%)</b>	NA	NA	NA	NA	NA
<b>Interest rate (local currency MMR) † (%)</b>		7.38	7.42	7.06	7.75	7.87
<b>Exchange rate‡</b>	<b>(MXN per USD)†</b>	17.819	18.921	18.927	18.772	19.382

\*Year on year. †Period average. ‡Market rate.

Source: *International Financial Statistics*, IMF, October 2018 and 2018 Yearbook.

### **Sectoral Contribution as a % of GDP**

Agriculture - 3.9%

Industry - 31.6%

Services - 64% (2017 estimate)

### **Major Export Markets**

USA (79.9%)

### **Major Import Sources**

USA (46.4%), China (17.7%), Japan (4.3%)

# Political and Economic Background

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## Economics

### Interest Rate Management Policy

Monetary policy is set by the central bank, Banco de México (Banxico), which has its independence guaranteed under the country's constitution. In recent years, Banxico has tightened monetary policy with the aim of reducing inflation. A target of 3%, plus or minus 1 percentage point, was set by the bank in 2006.

### Foreign Exchange Rate Management Policy

The Mexican peso (MXN) is a free floating currency. The MXN is fully convertible.

Mexico's exchange rate policy is set by the Exchange Commission (Comisión de Cambios), consisting representatives of the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público - SHCP) and the central bank.

### Major Economic Issues

Mexico is a free market, export-oriented economy that experienced a period of stable growth from its 1994 devaluation crisis until the 2008 US economic downturn.

Boosted by a surge in manufactured exports to the US, the Mexican economy started to recover from recession in mid-2009. The economy has expanded steadily since then. Growth in the Mexican economy in 2017 was at the lowest rate (2.1%) in four years, held back by falling activity in the industrial sector and a slight downturn in the service sector. In September 2017, the government submitted its 2018 budget proposal for approval in Congress. The bill calls for lower adjustments to public finances than in previous years and for a primary surplus of 0.9% in 2018. The government posted a primary surplus of 0.4% in 2017, the first since 2008. The central bank expects the economy to expand by between 2% and 2.6% in 2018 and by between 1.8% and 2.8% in 2019. Inflation stood at 6.8% in 2017, the highest rate since May 2001, and well above the target range of 2% to 4%. Inflation surged following a 20% hike in state-set fuel prices in January 2017 that has led to protests, looting and road blocks across Mexico. Inflation stood at 5.02% in September 2018, the highest since March 2018 and still above the target range. Unemployment currently stands at 3.47%.

Mexico's exports have benefited greatly from the government's free trade policies; more than 90% of trade is conducted with the over 45 countries that have signed free trade terms with Mexico. The USA accounts for 80% of Mexican exports, making the North American Free Trade Agreement (NAFTA) with Canada and the USA by far the most significant agreement. The fact that many Mexicans continue to seek employment "north of the border," despite recent growth and stability at home, further emphasizes the close ties between Mexican and US economic performance. In October 2018, after 14 months of negotiations, the USA, Mexico and Canada

announced an agreement on a revised trade deal that could replace NAFTA. The revised deal, which is called the United States-Mexico-Canada Agreement (USMCA), is expected to be signed before Mexico's outgoing president Enrique Peña Nieto leaves office at the end of November 2018. The USMCA will then need to be ratified by all three legislatures before entering into force. For now, US President Donald Trump's decision to impose steep duties on imports of steel and aluminum from key US allies, including Canada and Mexico, has been left out of the USMCA. The move has led the Mexican government to impose retaliatory tariffs on a range of agricultural and steel imports from the US, raising concerns over an all-out trade war with the US. Despite relatively low official unemployment figures, youth unemployment remains a problem. Mexico's future economic growth may well depend on its reaction to the recent decline in its share of US imports in favor of goods and services from other faster-reforming markets.

## Politics

### Government Structure

Mexico is a federal republic governed under the terms of the 1917 constitution. A series of electoral reforms since 1989 has been credited with increasing the transparency of the political process.

The legislature consists of two elected chambers. The head of government is also head of state and may only serve one term.

### *Executive*

The president (both head of state and head of government) is elected directly by popular vote every six years, but may only serve a single term. The next presidential election is scheduled to be held in July 2024.

The president is Enrique Peña Nieto, of the Institutional Revolutionary Party (PRI). He won the July 2012 presidential elections and took office on December 1, 2012.

The president-elect is Andres Manuel Lopez Obrador, of the National Regeneration Movement (MORENA). He won the July 2018 presidential elections and is due to take office on December 1, 2018.

### *Legislature*

Legislative power in Mexico is exercised by the bicameral National Congress (Congreso de la Unión) made up of a 128-member Senate and a 500-member Chamber of Deputies.

Members of the Senate (Cámara de Senadores) serve six-year terms. Ninety-six senators are directly elected (two for each state, two for the Federal District and one for the first minority group) and 32 are elected by proportional representation.

The 500 members of the Federal Chamber of Deputies (Cámara de Diputados) are elected every three years. A total of 300 are elected directly while the remainder is elected via proportional representation. Deputies may not serve consecutive terms.

### *International memberships*

Mexico is a member of NAFTA (North American Free Trade Agreement) with Canada and the USA, the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), the ALADI (Latin American Integration Association) and the Bank for International Settlements (BIS).

### *Major Political Issues*

After the Partido Acción Nacional (PAN) controlled the presidency, under first Vicente Fox Quesada and then Felipe Calderón, the Institutional Revolutionary Party (Partido Revolucionario Institucional - PRI) returned to power with the July 2012 election of the Mexico state's former PRI governor, Enrique Peña Nieto, to the presidency, following a final recount, with 38.21% of the vote. However, the result was only officially confirmed in August 2012, after the Mexican Electoral Court rejected allegations by the runner-up, Andres Manuel Lopez Obrador, then of the Party of the Democratic Revolution (PRD), that the PRI had bought votes and violated the constitution.

Enrique Peña Nieto took office on December 1, 2012. His inauguration was marked by protests by leftist lawmakers inside the Congress and clashes between demonstrators and police outside. Mr. Peña Nieto vowed to restore peace and security and that his government would be much more democratic, modern, and open to criticism. Since 2012, the PRI administration has pushed its agenda which includes fiscal and political reforms and reforms in the education, telecommunications, banking and energy sectors, including the opening of the oil industry to the outside world. However, despite his relative success in implementing long needed reforms, the president's approval ratings have fallen steadily since he took office. Mr. Peña Nieto became the country's most unpopular president in 25 years, according to opinion polls, as the government faces growing outrage over corruption and drug-related violence and fails to convert legislation into a stronger economy and more well-paid jobs.

In July 2018, leftist opposition candidate Andres Manuel Lopez Obrador, leader of the National Regeneration Movement (MORENA), won the presidential election with 53% of the vote, more than double the votes of his nearest rival, Ricardo Anaya of the PAN Party, after campaigning on a promise of change. Mr. Lopez Obrador, also known as AMLO, has promised to eradicate corruption and impunity, run an austere government and boost social welfare spending and economic growth. He will take office in December 2018. President Enrique Peña Nieto could not run for re-election.

# Taxation

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## Resident/Non-resident

A company is considered resident if it is managed and controlled in Mexico.

Permanent establishments (PEs) of non-residents are taxed on income attributable to the PE.

## Tax Authority

Servicio de Administración Tributaria (SAT, or Tax Administration Service).

## Tax Year/Filing

The tax year corresponds to the calendar year.

Under the self-assessment regime, the annual corporate income tax returns must be filed by March 31 for the previous calendar year, along with any unpaid tax due.

An advance electronic signature certificate must be available, and electronic accounting records must be maintained.

All taxpayers are required to issue digital invoices with respect to their transactions.

Advance corporate tax is payable in 12 instalments. Companies make income tax payments on the 17th day of each month on the basis of their estimated taxable income for the previous month. The tax is estimated by applying the previous year's profit factor to gross income.

Mexico's tax consolidation system has been abolished and replaced by a new tax integration regime. This regime allows a group to defer income tax for up to three years, taking into account only the profits and losses of entities in the group.

## Corporate Taxation

Resident companies are subject to taxation on their worldwide income

Non-resident companies are taxed on all income derived through their activities in Mexico and on all income originating from Mexico.

Foreign-source income derived by residents is subject to tax in the same way as Mexican-source income. Branches are taxed in the same way as subsidiaries.

The federal corporate income tax rate is 30%.

There are no state taxes on companies' income.

There is no surtax or alternative minimum tax.

Losses may be carried forward for ten years, subject to applicable inflation adjustments. The carryback of losses is not permitted.



Special rules apply to maquiladoras. Incentives are granted for national cinematographic and theatrical production, as well as for innovation (CONACYT); the Real Estate Investment Trust (FIBRAS) regime and investments in risk capital.

Immediate depreciation for investments in certain new assets is available as from January 1, 2016, for taxpayers with revenues of up to MXN 100 million; for taxpayers with investments in the construction and improvement of transport infrastructure and those with activities related to the treatment, processing or transport of oil, natural gas and petrochemicals, no revenue limit applies.

Five special economic zones have been launched that provide preferential income tax, VAT and customs duty treatment for companies operating in the zones.

### Advance Tax Ruling Availability

The tax authorities will issue rulings on the tax consequences of actual transactions.

### Withholding Tax

Payments to:	Interest	Dividends	Royalties	Technical Service Fees	Branch Remittances
Resident companies	None	None	None	None	None
Non-resident companies in a non-tax-treaty country	4.9%-35%/40%	0%/10%	25%/35%/40%	25%	10%

Interest paid to a non-resident is subject to withholding tax at rates ranging from 4.9% (interest paid to a bank) to 35%. A 40% rate applies where interest payments are made to a related party located in a low-tax country. The rate may be reduced under a tax treaty.

A company that distributes dividends (including distributions derived from investments in renewable sources of energy and made from the CUFIER account) to a non-resident or to resident individual must withhold a 10% tax, which is considered a final tax. For non-residents, the 10% rate may be reduced under an applicable tax treaty.

A grandfather rule applies so that CUFIN balances (already taxed profits) as of December 31, 2013 are not subject to withholding tax when distributed as dividends in the future.

The 10% tax may be reduced for dividends paid to individuals resident in Mexico if profits generated in 2014, 2015 and 2016 are reinvested and distributed as from 2017.

Royalties paid to non-residents are subject to a withholding tax of 35% (patents and trade marks) or 25% (all other royalties and technical assistance). The leasing of machinery and equipment is considered a royalty in some cases. A 40% rate applies where royalties are payed to a related

party located in a tax haven.

Rules similar to CUFIN rules for dividends apply. Permanent establishments distributing dividends or gains to their head office are subject to an additional tax of 10% on such dividends or gains.

There are certain other circumstances under which withholding tax may apply to non-residents, such as payments relating to immovable property, salaries, fees, capital gains, etc.

## Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Mexico has exchange of information relationships with 77 jurisdictions through 62 double tax treaties and 17 TIEAs ([www.eoi-tax.org](http://www.eoi-tax.org), January 2018).

On January 27, 2016, Mexico, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries (“the MCAA”). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA. First exchanges under the MCAA will start in 2017-2018 on 2016 information.

As of December 2017, there are 68 signatory countries, including :-

- Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Costa Rica, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, Nigeria, Norway, Poland, Portugal, Russia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland and United Kingdom.

## Transfer Pricing

Rules following the OECD Guidelines apply to cross-border and domestic transactions. Acceptable transfer pricing methods are as follows: the comparable uncontrolled price (CUP) method is considered the preferred method, followed by the cost-plus and resale price methods.

Profit-based methods are to be applied if the CUP, cost-plus and resale price methods are not applicable. The profit split and residual profit split methods and the transactional operating profit margin method (TOPMM) are not applicable in specific circumstances.

Documentation rules apply. APAs are available.

## Thin Capitalization

Interest payments made by a Mexican resident company on a loan from a non-resident related party are non-deductible for income tax purposes if the debt-to-equity ratio of the payer company exceeds 3:1.

Debts incurred for the construction, operation or maintenance of productive infrastructure linked to strategic areas, or for the generation of electricity, are excluded from the thin capitalization rules.

## Controlled Foreign Companies

Income is attributed to Mexican tax residents (including resident foreigners) from “controlled” entities where more than 20% of their income is passive income (broadly defined) that is taxed locally at a rate less than 75% of Mexico’s statutory rate.

Reporting rules also may apply.

## Disclosure Requirements

External tax auditors are required to disclose on the tax audit report when a taxpayer has entered into a transaction that is not considered viable by the Mexican tax authorities.

Mexico has adopted country-by-country (CbC) reporting in accordance with the recommendations under the OECD’s BEPS project. Under the rules, companies that enter into transactions with related parties (in Mexico or abroad) and receive income equal to or greater than MXN 686,252,580 must file a master file and a local file, and Mexican multinational enterprise groups that receive income equal to or higher than MXN 12 billion also must file a CbC report.

An optional tax audit report may be filed for taxpayers that have more than 300 employees, gross income exceeding MXN 100 million or assets exceeding MXN 79 million.

## Cash Pooling

Mexico has no specific tax rules that apply to cash pooling.

## Stamp Duty

There are no stamp duties in Mexico.

## Property Taxes

The municipal authorities levy ‘rates’ on the ownership of real property.

A rate between 2% and 5% applies to the transfer of real estate.

## Sales Taxes/VAT/Excise

VAT is levied on the sale of goods and provision of services (performed in Mexico), including lease payments and imports.

The general rate of VAT is 16%.

Certain products (e.g. basic foods, pharmaceuticals, books and newspapers) and services (agricultural, hotel and public utility services) are zero-rated. Exported goods are also zero-rated.

Bank interest, credit installments, medical services, education and rental income from residential property are exempt from VAT.

Excise tax is levied on certain goods such as petrol, alcohol, tobacco and telecommunications services.

### **Financial Transactions/Banking Services Tax**

There are no specific taxes on financial transactions/banking services.

### **Capital Gains Tax**

Mexican entities are not subject to special tax treatment on capital gains, and the use of capital losses is restricted in some cases.

### **Payroll and Social Security Taxes**

The states and the federal district levy a payroll tax on wages paid for dependent personal services, as applied on the gross amount of salaries paid by employers to employees.

Employer contributions for social security and other related contributions (e.g. housing and retirement) are mandatory, with rates ranging from 15% to 25%, depending on the salary structure of the group of employees.

While not a tax, mandatory profit sharing rules imply that an entity is obliged to actually distribute 10% of taxed profits to its employees no later than May of the year following the year in which the profits were generated.

Tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2018 ([www.deloitte.com](http://www.deloitte.com)).

# Cash Management

## Banking System

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### Banking Regulation

#### Banking Supervision

##### *Central bank*

Banco de México (Banxico) is an autonomous institution that derives its authority from Article 28 of the Mexican constitution and operates in accordance with the Ley del Banco de México (Bank of Mexico Law).

The central bank is responsible for control of inflation through monetary policy and is the overall regulator of the financial services sector, including payment systems. It also performs other traditional central banking functions, including lender of last resort and provider of treasury services to the federal government. Banxico also advises the government on economic and financial issues.

##### *Other banking supervision bodies*

The Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público – SHCP) shares regulatory supervision over Mexico’s financial sector with Banco de México. SHCP executes its supervisory responsibilities via a semi-autonomous unit, the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores – CNBV).

#### Central Bank Reporting

Banxico requires no reporting of transactions for balance of payments monitoring purposes.

#### Exchange Controls

##### *Exchange structure*

The Mexican peso (MXN) is a free-floating currency. Mexico does not apply exchange controls.

##### *Exchange tax*

There is no exchange tax.

##### *Exchange subsidy*

There is no exchange subsidy.

##### *Forward foreign exchange market*

There are no restrictions on forward foreign exchange markets.

### *Capital flows*

Foreign majority ownership of Mexican companies is not permitted in certain industrial sectors and is subject to government approval in others. Foreign ownership of Mexican companies may not exceed 10% in the production cooperative sector, 25% in domestic air transportation, and 49% in strategic industries such as agriculture, fishing, fuel supply and media. Ministry of Finance approval is required for investment by non-resident entities in banks and other types of financial service firms.

Foreign ownership may only exceed 49% in sectors such as port services and shipping (high-seas traffic) on the approval of the National Foreign Investment Commission. Foreign majority ownership of any Mexican company with a value in excess of MXN 3.81 billion is also subject to government review.

Individuals must report to the customs authorities the import or export of amounts in excess of USD 10,000 in cash and/or checks.

### *Loans, interest and repayments*

Mexico imposes no restrictions on the provision or repayment of loans or on the payment of interest. However, loan transactions must be reported to the central bank. There are no limits on foreign borrowing by resident or non-resident individuals or companies.

### *Royalties and other fees*

There are no restrictions on the payment of royalties and other fees, but central bank reporting is required.

### *Profit remittance*

There are no restrictions on the remittance of profits.

### **Bank Account Rules**

Resident entities are permitted to maintain local and foreign currency accounts both in Mexico and abroad. However, foreign exchange deposits may only be held by companies that are resident and/or established in Mexico, or by residents in Mexico's northern border area or the regions of Baja California and Baja California Sur.

Non-resident entities may also maintain local and foreign currency accounts. Non-resident entities must register foreign currency accounts held in Mexico with the authorities.

Whether held by residents or non-residents, local currency accounts are convertible into foreign currency. Lifting fees on transfers between resident and non-resident accounts are not usually charged.

When opening an account in Mexico, a company must supply a Tax Identification Number (RFC) or equivalent, proof of address, banking or commercial references, and official identification of the company's legal representatives or guarantees of a power of attorney.

Banks are permitted to offer interest to residents and non-residents on all types of bank accounts, but rarely do for current accounts.

## Anti-money Laundering and Counter-terrorist Financing

- Mexico has implemented anti-money laundering and counter-terrorist financing legislation (Articles 139 to 139 Quinquies, 148 Bis, 148 Ter and 148 Quarter, and Articles 400 Bis and 400 Bis 1 of the Federal Penal Code); and the Law for the Prevention and Identification of Transactions with Criminal Proceeds 2012 and its accompanying regulations).
- A Financial Action Task Force (FATF) member, Mexico observes most of the FATF-49 standards. Mexico is also a member of the Financial Action Task Force of Latin America (GAFILAT) (formerly known as South American Financial Action Task Force (GAFISUD), the Caribbean Financial Action Task Force (CFATF) (as a cooperating and supporting nation), the Organisation of American States/Inter-American Drug Abuse Control Commission (OAS/CICAD) and the Council of Europe MONEYVAL Select Committee with observer jurisdiction status.
- Mexico has established a financial intelligence unit (FIU), Unidad de Inteligencia Financiera (UIF), which is a member of the Egmont Group. The UIF is housed within the Secretariat of Finance and Public Credit.
- Account opening procedures require formal identification of the account holder. Beneficial ownership and the control structure of legal entities must also be established. Measures put into place in 2004 require that financial institutions classify customers according to their level of risk and that customer identification information must be kept up to date.
- Customer identification policies must be strictly applied in cases of correspondent accounts opened for banks in jurisdictions classified as Non-Cooperative Countries and Territories (NCCTs) by FATF. Accounts cannot be opened for financial institutions or intermediaries that do not have a physical presence in any jurisdiction.
- Anonymous accounts are not permitted.
- All credit and financial institutions have to identify clients for transactions exceeding USD 10,000. Identification is also required for occasional customers for transactions exceeding USD 500.
- Financial institutions in the broadest sense are required to report suspicious transactions and attempted suspicious transactions to the UIF.
- All transactions exceeding USD 10,000 must also be reported, as must all transactions involving employees of financial institutions who engage in unusual activity.
- Individuals entering or exiting Mexico must declare currency or monetary instruments exceeding USD 10,000 to the customs authorities.
- All records of transactions and customer details must be kept for at least ten years after the transaction or after the end of the business relationship.

Data as at January 2018.

## Banking Sector Structure

### Major Domestic Banks

Bank	Total assets (USD million) August 31, 2018
BBVA Bancomer (BBVA Group)	102,564
Banco Santander México (BSCH Group)	69,519
Banco Mercantil del Norte (Banorte)	63,417
Banamex (Citigroup)	62,857
HSBC Bank Mexico	38,140
Scotiabank	25,472
Banco Inbursa	18,913

Source: National Banking and Securities Commission and [www.accuity.com](http://www.accuity.com).

### Overall Trend

Mexico's banking sector consists of 21 financial groups, 50 multiple banks, six development banks, 84 credit unions and 39 representative offices of foreign banks.

Following a period of consolidation and privatization, the majority of Mexico's banking assets are in non-domestic ownership. Four of Mexico's five largest banking groups and 68% of total banking assets are owned by foreign groups. Citigroup has renamed its subsidiary, Grupo Financiero Banamex Accival, as Citibanamex. Spanish financial institutions, BBVA and Santander and BBVA, own the largest two banks in Mexico. In January 2016, two new banks launched operations in Mexico: Spain's Banco Sabadell and local bank Banco Finterra. In June 2016, Industrial and Commercial Bank of China (ICBC) launched operations in Mexico through a local subsidiary. In March 2017, Japan's Mizuho Bank launched operations in the country through Mizuho Bank Mexico, its local full service, fully-owned subsidiary. In December 2017, South Korea's Shinhan Bank launched operations in Mexico through its local subsidiary Banco Shinhan de México. Other foreign banks planning to launch operations in Mexico include Bank of China and South Korea's KEB Hana Bank. Both banks expect to launch operations in the country by the end of 2018.

In May 2013, Ixe Banco (formerly Grupo Financiero Banorte and Ixe Grupo Financiero) was merged into Banco Mercantil del Norte (Banorte). In June 2015, Grupo Financiero Inbursa completed the acquisition of Banco Walmart, the Mexican banking unit of Walmart de Mexico.

In October 2016, local InvestaBank announced plans to buy the local assets of Deutsche Bank for an estimated USD 180 million. Investabank, which changed its name to Accendo Banco in May 2018, expects to complete the acquisition by the end of 2018. The deal is part of a recent process of consolidation in the Mexican banking sector, which includes Grupo Financiero Banorte's acquisition of local financial group Grupo Financiero Interacciones, the acquisition of Bankaool by Ve por Más and the purchase of UBS Bank Mexico's banking license by Afirme.



# Payment Systems

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## Overview

Launched in August 2004, SPEI (Sistema de Pagos Electronicos Interbancarios) is a real-time gross settlement system (RTGS) for high-value and urgent interbank transfers. It is owned and operated by Mexico's central bank, Banco de México (Banxico).

CECOBAN (Centro de Compensación Bancaria) owns and operates CCEN (Cámara de Compensación Electrónica Nacional), a clearing system for retail payments. Retail payments processed by CECOBAN, including checks, non-urgent electronic credit transfers (*transferencia electrónica de fondos* - TEFs) and direct debits (*domiciliación de recibos* - DOMIs) are settled via SICAM (Sistema de Camaras), a net settlement system owned and operated by the central bank. CECOBAN is owned by a consortium of banks. In 2009, CECOBAN cut the number of regional branches it operates from 24 to one branch, in Mexico City.

Banxico also owns and operates SIAC (Sistema de Atención a Cuentahabientes de Banco de México), which settles interbank transfers and clearing obligations from Mexico's payments systems across the current accounts held at the central bank by banks, brokerage houses, pension fund administrators and some public sector entities. SIAC operates from 19:00 (previous day) to 18:15.

Interbank cross-border payments can be made via SIAC's participation in the multilateral clearing system of the Latin American Integration Association. Participants include Argentina, Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Paraguay, Peru, Uruguay and Venezuela. Mexico also has clearing arrangements with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The Mexican peso (MXN) is one of 18 currencies that participate in the Continuous Linked Settlement System (CLS), an international payment system developed for the settlement of foreign exchange transactions. The system reduces settlement risk through a payment-versus-payment mechanism that assures simultaneous payment of both currencies in an exchange transaction. Payments are transmitted in SWIFT format and settled through SPEI across the current accounts held at the central bank by banks.

On April 1, 2016, Banxico launched a new domestic payment system for USD transfers (SPID - Sistema de Pagos Interbancarios en Dólares). The SPID settles same-day payments in USD among accounts held in Mexican banks in Mexican territory. Participation in SPID is restricted to banks. There are currently 28 participants in the system. Only firms clients of participating banks are allowed to send payments through SPID. The new system is based on the SPEI, although SPID allows for longer processing periods so banks have time to apply more stringent AML/CFT policies and reject transactions of which they do not approve on AML/CFT or fraud grounds. The SPID operates from 08:00 to 14:15, Monday to Friday.

## High-value

<b>Name of system</b>	SPEI (Sistema de Pagos Electronicos Interbancarios)
<b>Settlement type</b>	Real-time gross settlement
<b>Settlement cycle</b>	Same-day; final settlement takes place via SIAC.
<b>Links to other systems</b>	SIAC
<b>Payments processed</b>	High-value and urgent interbank and commercial payments. SPEI also processes low-value interbank and commercial payments.
<b>Currency of payments processed</b>	MXN
<b>Value and other limits to processing</b>	Initial threshold (MXN 50,000) lifted in February 2007
<b>Operating hours</b>	The system operates 24 hours a day.
<b>System holidays</b>	NA
<b>Cut-off times</b>	Transfer orders can be submitted to SPEI between 06:00 and 17:30 for same-day settlement.
<b>Participants</b>	Around 100 participants, including multiple banks, development banks, pension fund administrators, insurance companies and other financial institutions.
<b>Access to system</b>	Using a proprietary message format. Messages are usually sent via Banxico's private network but the internet is also used as backup channel and by some small participants. The CLS system uses SWIFT to access SPEI via Banxico.
<b>Future developments</b>	Recent developments have included the introduction of mobile payments in 2014; reduction of time-to-send and time-to-credit from 30 to five seconds; improvements on the system to support higher number of payments.

## Low-value

<b>Name of system</b>	SICAM (Sistema de Camaras)
<b>Settlement type</b>	Deferred multilateral net settlement system.
<b>Settlement cycle</b>	Next day; Multilateral net positions are settled via SIAC at 08:30 on the day after submission. Funds are available to beneficiaries from 09:00.
<b>Links to other systems</b>	SIAC
<b>Payments processed</b>	Low-value interbank electronic payments, including non-urgent credit transfers (TEFs), direct debits (DOMIs) and truncated checks. (USD checks drawn on Mexican banks are processed by CECOBAN and cleared by Bank of America.)
<b>Currency of payments processed</b>	MXN
<b>Value and other limits to processing</b>	There are no value thresholds.
<b>Operating hours</b>	06:45 to 18:00
<b>System holidays</b>	NA
<b>Cut-off times</b>	TEFs are submitted to CECOBAN's CCEN between 17:30 and 20:30 for next-day settlement in SICAM. Checks deposited by 13:00 are cleared for beneficiary use by 12:00 the next day.
<b>Participants</b>	Around 35 direct participants
<b>Access to system</b>	Originating banks submit electronic files, which are processed in batches and then submitted to recipient banks for validation. Checks are truncated into electronic items by the receiving bank and then cleared in the same way as other low-value items.
<b>Future developments</b>	NA

## Payment and Collection Instruments

### Overview and Trends

The use of all payment instruments, excluding checks, grew in 2017 by both volume and value. The decrease in check transaction value and volume reflect a fundamental, long-term shift away from paper-based payments and collections in the Mexican market. However, it is worth noting that checks continue to be a relatively important part of the Mexican payments landscape and that cash plays a large part in the Mexican economy for low-value payments. High-value credit transfers account for by far the largest proportion of payments by value, while credit and debit cards are the dominant format by volume.

### Statistics of Instrument Usage and Value

	Transactions (million)		% change 2017/2016	Traffic (value) (MXN billion)		% change 2017/2016
	2016	2017		2016	2017	
<b>Checks (MXN checks)</b>	73.9	66.4	- 10.2	2,385.2	2,282.9	- 4.3
<b>Credit cards*</b>	570.9	649.5	13.8	493.6	578.6	17.2
<b>Debit cards*</b>	1,271.4	1,474.7	16.0	617.6	736.8	19.3
<b>Credit transfers</b>	647.0	762.0	17.8	334,496.8	352,469.3	5.4
<i>high-value</i>	395.0	480.0	21.5	261,971.3	270,484.9	3.3
<i>low-value**</i>	252.0	282.0	11.9	72,525.5	81,984.4	13.0
<b>Direct debits</b>	29.0	36.3	25.2	110.9	138.0	24.4
<b>Total</b>	<b>2,592.2</b>	<b>2,988.9</b>	<b>15.3</b>	<b>338,104.1</b>	<b>356,205.6</b>	<b>5.4</b>

### Paper-based

#### Checks

Although check usage has declined notably since the turn of the century, smaller companies and households still pay the majority of their bills using checks. Since June 2003, all checks are truncated and their images exchanged by CECOBAN's Images Exchange Clearinghouse (Cámara de Intercambio de Imágenes - CII), before being processed by SICAM. Checks are cleared on a next-day basis if deposited before 12:00. USD checks drawn on Mexican banks (around 2.3% of total check volumes) are processed by CECOBAN and cleared by Bank of America. Banxico imposes a maximum limit of MXN 5,000 for checks payable to the bearer.

#### Postal Drafts

The Mexican postal service offers postal drafts, but these are mainly only used in rural areas.

## Electronic

### Credit Transfer

The introduction of electronic clearing systems, particularly SPEI, the real-time gross settlement system for urgent payments, has increased the use of credit transfers by larger organizations and others in recent years for the full range of payment needs.

#### *High-value*

The high-value, urgent credit transfer is Mexico's dominant payment instrument by value and is processed for same-day value by SPEI, Banco de México's real-time gross settlement system.

#### *Low-value*

TEFs (*transferencias electrónicas de fondos*) are commonly used for payroll, pension and supplier payments. Volumes have also been boosted in recent years by the increased use of TEFs by federal government agencies. Low-value electronic transfers are processed electronically in batches by CECOBAN's CCEN and then settled via SICAM. TEFs are processed for next-day value if received within the cut-off times (SICAM imposes no value limitation). TEFs can be submitted by companies or individuals at bank branches or electronically through file transfer.

Payroll credit transfers are typically made on an intrabank basis, with employers encouraging staff to open accounts with a preferred bank.

Low-value credit transfers can also be processed via SPEI for same-day value. These can be submitted by companies or individuals and used for low-value transactions such as payroll and person-to-person transfers.

Since April 1, 2016, local companies can make same-day USD credit transfers within Mexico via a new payment system called SPID (Sistema de Pagos Interbancarios en Dólares). Currently, 28 banks participate in the SPID system.

#### *Cross-border*

Although most cross-border payments are routed via SWIFT and settled via accounts at correspondent banks, USD-denominated credit transfers from the USA to Mexico can be made via the US FedACH's Directo a Mexico service. Funds are available to the Mexican beneficiary denominated in MXN next day.

### Direct Debits

Direct debits (*domiciliación de recibos* – DOMIs) are rapidly increasing in popularity for regular payments, e.g. utility services, but still account for a small proportion of overall payments by volume or value. Direct debits may be used for one-off or repeat payments following authorization by the payor. Only since 2002 have banks offered direct debit transfers between accounts held at different banks. As such, just over one in six direct debits are effected between accounts held at different banks. Interbank direct debits are cleared by CECOBAN's CCEN for next-day value and settled via SICAM, while intrabank direct debits are processed as internal bank book transfers.

## Payment Cards

Card payment volumes have grown substantially in Mexico since the turn of the century. The total number of debit card transactions grew from 235.1 million in 2005 to 1,474.7 million in 2017, while credit card transactions rose from 134.7 million to 649.5 million. Visa (Electron) and MasterCard (Maestro) are the main debit and credit card schemes operating in Mexico. There is also Carnet, a local brand owned and operated by Prosa. Banamex and BBVA Bancomer operate their jointly-owned network E-Global for clearing of debit and credit card payments, while Prosa processes transactions on behalf of all other Mexican banks.

In June 2013, Swedish mobile payment company iZettle, in partnership with Banco Santander, launched its payment services in Mexico. iZettle allows businesses and individuals to accept card payments using an EMV-based device that enables smartphones and tablets to be used as POS terminals. The service currently accepts MasterCard, Visa and American Express cards.

At the end of June 2018, there were 144.55 million debit cards and 26.92 million credit cards in circulation in Mexico.

## ATM/POS

At the end of June 2018, there were 53,974 ATMs and 977,593 POS terminals in Mexico. Bancomer and Banamex both own and operate separate ATM networks, while a third network, RED, is operated by Prosa on behalf of other Mexican banks. Debit cards linked to savings and current accounts can be used for ATM cash withdrawals and purchases at POS terminals.

Scotiabank, Banco Inbursa, BanBajío, Afirme, BanRegio, Banca Mifel, Intercam Banco, Banco Famsa and Mi Banco Autofin have formed a shared ATM network alliance. The new network, which has more than 6,900 ATMs, was originally launched in May 2015.

Bankaool, Mexico's first online bank, has made a partnership with DC Payments, the world's second largest ATM operator, to expand its local ATM network. The bank currently has 166 ATMs in Mexico.

## Electronic Wallet

Prepaid cards are increasingly popular in Mexico.

A number of banks offer general-purpose reloadable pre-paid cards, mostly under the Visa (Electron), MasterCard and Carnet brands. Stored value cards are most commonly used to disburse salary payments in preference to cash. A payroll card is loaded up to the value of an employee's salary and can be used to effect payment at EFTPOS terminals or to access cash from ATMs. They are also commonly used as government-issued welfare cards and as a method to pay for transportation services. Contactless card technology is being rolled out in Mexico. Visa payWave and MasterCard PayPass allow cardholders to pay with cards or mobile devices with built-in near field communications (NFC) technology by waving them over a supporting reader.

# Liquidity Management

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## Short-term Borrowing

### Overdrafts

Overdrafts (*sobregiros*) are available to both resident and non-resident entities, but are a relatively expensive financing tool with interest charged at more than twice the rate on CETE (*certificados de tesorería de la federación*) treasury bills.

### Bank Lines of Credit/Loans

Credit lines for working capital purposes, available to both resident and non-resident entities, are typically offered for periods up to a year, but revolving short-term loans of 28 days or more (*crédito revolvente*) are most common. Such loans are regularly rolled over but not indefinitely; payment will be expected after a fixed number of extensions.

Short-term unsecured MXN loans are available to larger companies (*préstamos créditos quirografarios*). In the agricultural sector, secured loans of up to a year are frequently used to finance the purchase of equipment and fixed assets.

Interest rates charged on loans are based on interbank money market rates (*tasa de interés interbancaria de equilibrio* - TIIE), but arrangement and commitment fees may also be levied by banks.

### Trade Bills - Discounted

Banks will discount trade bills for up to 90 days with recourse, but this form of finance is mostly used by small exporters. The most popular tenor is 45 days.

### Factoring

Factoring has become increasingly widespread in Mexico. Non-recourse factoring for suppliers to larger retailers is an area of notable growth. Average tenor is 30-90 days.

### Commercial Paper

Most MXN-denominated commercial paper is issued by large companies and non-banking financial institutions with strong credit quality and ratings. Rates are based on CETEs (treasury bills) or TIIE (the benchmark Mexican interbank money market rate) and discounted by brokers. Paper must be issued as part of a revolving one-year credit program. Typical tenor can be anything from seven to 91 days.

### Bankers' Acceptances

Rates for bankers' acceptances are based on CETEs or TIIE, but are rarely used for short-term funding.

### Supplier Credit

Small to medium-sized firms may supply goods and services on 30-day terms, while larger firms may require payment up to 90 days after delivery.

### Intercompany Borrowing, including Lagging Payments

Parent companies commonly finance subsidiaries via extension of supplier credit. Foreign-owned subsidiaries in Mexico may secure USD-denominated funding via intercompany loans.

## Short-term Investments

### Interest Payable on Bank Account Surplus Balances

Banks are permitted to offer interest to residents and non-residents on any accounts, but interest-bearing current accounts are rarely used. Companies typically prefer to transfer excess funds into overnight investment accounts.

### Demand Deposits

Interest-bearing demand, or sight, deposit accounts are available to both resident and non-resident entities, but a minimum balance may be required.

### Time Deposits

Time deposits are available in both MXN and USD, but are not widely used for short-term investment purposes.

### Certificates of Deposit

Banks issue certificates of deposit, or CEDES, with maturities of up to one year, both in MXN and UDIs, which are local investment units. More popular for short-term investment are *pagarés*, promissory notes issued at a discount by banks.

### Treasury (Government) Bills

Treasury bills (*certificados de tesorería de la federación* – CETEs) are sold at a discount by the central bank at weekly auctions for one, three, six and 12-month maturities. CETEs are a popular short-term investment with a liquid secondary market.

### Commercial Paper

Because Mexico's commercial paper market is typically restricted to highly rated large companies and non-bank financial institutions, it is insufficiently liquid to provide an attractive short-term investment market – despite offering higher rates than government debt instruments.



### Money Market Funds

Money market funds and bond funds have both become increasingly available to companies in Mexico.

### Repurchase Agreements

Repurchase agreements (repos) are a popular short-term investment instrument for companies in Mexico. Maturities up to one month are particularly attractive, although longer-terms instruments are available.

### Bankers' Acceptances

Bankers' acceptances are available but not widely used in Mexico.

## Liquidity Management Techniques

### Cash Concentration

Accounts held by resident and non-resident entities in MXN and USD may participate in cash concentration structures. It is possible to include accounts held by different legal entities from the same group in a single cash concentration structure, but it is more common practice in Mexico to concentrate balances from accounts held by the same legal entity.

Zero-balance accounts are permitted and used. The participation of resident and non-resident entities in cross-border sweeps can be difficult because of tax implications. It is most common for cross-border sweeps to be conducted as a book transfer across accounts held within the same banking group.

Mexican banks do not typically charge lifting fees for transfers between accounts held by non-resident and resident entities.

### Notional Pooling

Notional pooling is not permitted in Mexico.

# Trade Finance

## General Rules for Importing/Exporting

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As well as its participation in the North American Free Trade Agreement with Canada and the USA, Mexico has also signed a number of free trade agreements with trading partners, largely in Latin America and Europe. These include Bolivia, Chile, Colombia (as a three-way agreement with Venezuela, which withdrew in November 2006), Costa Rica, El Salvador, the European Free Trade Association, the European Union (EU), Guatemala, Honduras, Israel, Japan, Nicaragua, Panama, Peru and Uruguay. Mexico is also a member of the Pacific Alliance trade bloc (Colombia, Chile and Peru).

In October 2018, Mexico, Canada and the USA announced an agreement on a revised trade deal that could replace NAFTA. The new deal, called United States-Mexico-Canada Agreement (USMCA), is due to be signed by the end of 2018. It is expected that the USMCA will enter into force by the end of 2019, following ratification by all three legislatures.

Mexico is also negotiating similar agreements with the Dominican Republic, New Zealand, Singapore and South Korea.

More than 90% of Mexico's export trade is conducted under free trade agreements.

In October 2015, Mexico and 11 other Pacific Rim countries announced the conclusion of a regional, Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement. After a period of uncertainty, following the US President Trump's decision to sign an executive order withdrawing the USA from the Trans-Pacific Partnership (TPP) trade pact on January 23, 2017, the remaining 11 countries announced on January 23, 2018, that they would sign an amended agreement in Chile in March 2018. The agreement, which has been renamed the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP), was signed on March 8, 2018 and will be open to other countries to join in the future.

In June 2018, the US government imposed a 25% tariff on imports of steel and a 10% tariff on imports of aluminum from a group of countries, including Mexico and Canada, claiming that such imports are a threat to national security. The Mexican government has retaliated by imposing tariffs on a range of agricultural and steel imports from the US.

# Imports

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## Documentation Required

Imports into Mexico must be accompanied by a customs declaration, a detailed commercial invoice, a bill of lading, a packing list, and, in certain cases, a certificate of origin. In addition, certificates of inspection may be required for imports of raw materials and/or evidence of compliance with regulations.

## Import Licenses

Import licenses are required by the Ministry of Economy for 109 of the 12,498 items subject to general tariffs in Mexico. Imports of intermediate goods used by export industries and raw materials do not require import licenses.

## Import Taxes/Tariffs

Imports are subject to tax rates up to 20%, but certain products attract much higher rates taxes, for example, meat and edible chicken offal and fructose (100%). Used cars imported from countries without a trade agreement are subject to a 50% tax rate.

In March 2015, Brazil and Mexico renewed their free trade deal on vehicles, limiting duty-free car imports from each other for a further four years. The auto quota pact, which was due to expire in March 2015, will now remain in place until March 2019. The new deal is structured for a 3% increase each year, from the March 2015 start point of USD 1.56 billion. From March 2019 onward, the two sides will resume free trade in automobiles, unless a new agreement is reached.

VAT is generally levied on imports at a rate of 16%, but products imported to border regions are subject to VAT at 11%.

Anti-dumping duties are in place for specific products from a number of countries.

## Financing Requirements

There are no particular financing requirements for imports.

## Risk Mitigation

There is no standard import protection program, but credit insurance for mitigation of political and commercial risk is available from Compañía Española de Seguro de Crédito a la Exportación Mexico (Cescemex). Cescemex will cover up to 90% of the invoice amount, for terms of up to one year. Cescemex is 51% owned by Spain's Consorcio Internacional de Aseguradores de Crédito (CIAC) and 49% by Mexico's state-owned bank Banco Nacional de Comercial Exterior. In turn, CIAC is 52% owned by Spain's Compañía Española de Seguro de Crédito a la Exportación, 20% by Germany's Munich Re, 14% by BBVA and 14% by Banco Santander.

## Prohibited Imports

Mexico prohibits imports of a number of items, including drugs, nuclear energy and other toxic and hazardous materials, plus any product listed in the Convention on International Trade in Endangered Species (CITES).

# Exports

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## Documentation Required

Export out of Mexico must be accompanied by a customs declaration, a detailed commercial invoice, a bill of lading, a packing list, and, in certain cases, a certificate of origin.

## Proceeds

Mexico imposes no restrictions on the transfer of proceeds from exports.

## Export Licenses

Licenses are not generally required for exports.

## Export Taxes/Tariffs

There are generally no taxes on exports. Export duties apply on a small number of products, including electricity, the skins of endangered species, vegetable alkaloids and turtle oil.

## Financing Requirements

There are no particular financing requirements for exports.

## Risk Mitigation

Credit insurance for mitigation of political and commercial risk is available from Compañía Española de Seguro de Crédito a la Exportación Mexico (Cescemex). Cescemex will cover up to 90% of the invoice amount, for terms of up to one year. Cescemex is 51% owned by Spain's Consorcio Internacional de Aseguradores de Crédito (CIAC) and 49% by Mexico's state-owned bank Banco Nacional de Comercio Exterior. In turn, CIAC is 52% owned by Spain's Compañía Española de Seguro de Crédito a la Exportación, 20% by Germany's Munich Re, 14% by BBVA and 14% by Banco Santander. Exports financed by Bancomext may require insurance.

## Prohibited Exports

Mexico prohibits the export of endangered species, drugs and archeological artifacts.

# Information Technology

## Electronic Banking

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Large Mexican banks offer a range of internet-based electronic banking services to business and retail customers. Usage is common by large Mexican companies and multinational corporations, particularly for reporting and payment initiation purposes.

A standard protocol has been adopted (Clave Bancaria Estandarizada - CLABE) for interbank funds transfers by the Mexican Bankers' Association, CECOBAN and Banco de México. All domestic transfers between current accounts must be supported by an 18-digit number. As part of the expansion of internet banking, electronic bill presentment and payment (*publicacion de deuda*) is increasingly available.

Mobile banking services are offered by banks in Mexico.

# External Financing

## Long-term Funding

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### Bank Lines of Credit/Loans

Mexican banks offer secured loans of two to three years' maturity denominated in MXN. Rates are based on CETE treasury bills or the TIIE interbank money market rate, plus a margin that is reviewed on a monthly or quarterly basis. Companies with a strong credit record can finance up to 75% of inventory value via 18-month to three-year inventory loans (*créditos refaccionarios*). Interest is based on commercial paper, treasury bills or the TIIE interbank money market rate, plus a margin.

USD loans are also available on a secured, unsecured or guaranteed basis, depending on the credit quality of the borrower. Typical maturities are for three to five years.

### Leasing

Finance and operating leases are available in both MXN and USD. Average tenor is between three and five years and rates can be fixed or floating. (USD transactions are based on USD Libor.) Real estate sale and leaseback transactions are available.

### Bonds

Large companies, non-bank financial institutions and municipalities issue medium-term notes for maturities of one to seven years (*pagarés de mediano plazo*) and debentures (*obligaciones*), which have no maximum tenor.

Both instruments can be issued at fixed or floating rates and denominated in either MXN, UDIs (local investment units) or USD. Issuers must have a credit rating and authorization from both the stock exchange and the central bank.

In addition, participation certificates (*certificados de participación inmobiliarios* and *certificados de participación ordinarios*) are issued to finance construction and real estate projects.

### Asset Securitization / Structured Finance

Debt finance through asset securitization is increasingly common. MXN and USD financial assets (including accounts receivable, toll road receipts and mortgage payments) have all supported securitized deals on the domestic market. Credit enhancement tactics, such as over-collateralization and insurance guarantees, are used.

## **Government (Agency) Investment Incentive Schemes / Special Programs or Structures**

Infrastructure projects in key sectors such as energy, telecommunications, transport and roads are sometimes financed via the private sector.

## **Intercompany Loans**

Subsidiaries of foreign-owned multinationals regularly source loans from other companies within their group.



# Useful Contacts

## National Investment Promotion Agency

ProMéxico Trade and Investment Agency — [www.gob.mx/promexico](http://www.gob.mx/promexico)

## Central Bank

Banco de México — [www.banxico.org.mx](http://www.banxico.org.mx)

## Supervisory Authority

National Banking and Securities Commission — [www.gob.mx/cnbv](http://www.gob.mx/cnbv)

## Payment System Operator

Banking Clearing Center (CECOBAN) — [www.cecoban.org.mx](http://www.cecoban.org.mx)

## Banks

Grupo Financiero BBVA Bancomer — [www.bancomer.com.mx](http://www.bancomer.com.mx)

Banamex (Citigroup) — [www.banamex.com](http://www.banamex.com)

Banco Santander México — [www.santander.com.mx](http://www.santander.com.mx)

Grupo Financiero Banorte — [www.banorte.com](http://www.banorte.com)

HSBC México — [www.hsbc.com.mx](http://www.hsbc.com.mx)

Development Bank Banobras — [www.gob.mx/banobras](http://www.gob.mx/banobras)

## Stock Exchange

Bolsa Mexicana de Valores — [www.bmv.com.mx](http://www.bmv.com.mx)

## Ministry of Finance

Ministry of Finance and Public Credit — [www.gob.mx/hacienda](http://www.gob.mx/hacienda)

## Ministry of Economy

Ministry of Economy — [www.gob.mx/se](http://www.gob.mx/se)

## Chambers of Commerce

Mexico City National Chamber of Commerce — [www.ccmexico.com.mx](http://www.ccmexico.com.mx)

National Confederation of Industrial Chambers — [www.concamin.org.mx](http://www.concamin.org.mx)

## Bankers' Association

Mexican Bankers' Association — [www.abm.org.mx](http://www.abm.org.mx)