

## How to incorporate a financial technology institution (FTI) in Mexico?

On March 10, 2018, became effective the Law to Regulate Financial Technology Institutions in Mexico, also known as the Fintech Law, with the purpose of regulating the activity of companies that, through technology, provide an improved, more accessible, and faster financial service compared with traditional banking.

This law recognizes the following two categories of FTI:

### 1. Crowdfunding:

Their usual and professional business line is to reunite people from the general public who intend to receive or grant financing for a project.

### 2. Electronic payment funds:

Their usual and professional business line is the issuance, administration, rendering and transmission of electronic payment funds, which are those accounted in an electronic register of transactional accounts and which can be referenced to a specific value, either in currency or in virtual assets.

Any company that intends to conduct the aforementioned activities must apply for the authorization of the National Banking and Securities Commission (CNBV) to operate as an FTI and fulfill the following requirements:

### 1. Incorporation:

- a. Be incorporated or intend to be incorporated as a limited liability stock company (i.e. "sociedad anónima").
- b. Include in its name "Crowdfunding Institution" or "Electronic Payment Funds Institution".
- c. Include in its corporate purpose some of the aforementioned activities in a professional and habitual manner and expressly submit to the provisions of the Fintech Law.
- d. Be domiciled in the national territory.
- e. Establish a minimum capital, which may be differentiated by activities and risks.
- f. Have the necessary governing bodies and corporate structure.

### 2. Submit:

- a. Document evidencing the authority to represent the applicant.
- b. Bylaws draft or amendment covering the aforementioned requirements.
- c. Business plan.
- d. Accounting separation policies.
- e. Risk and liability disclosure policies to its clients.
- f. Operational risk control and information security measures and policies.



- g. Operational and control processes for the identification of its clients.
- h. Policies for the solution of possible conflicts of interest.
- i. Policies for the prevention of fraud, operations involving resources from illicit sources and terrorism financing.
- j. List and information of the people owning or intending to own participation in the company capital.
- k. List and information of the people considered for the manager or board member positions.
- l. Ownership of the interface, web page or electronic communication media.
- m. Designation of an address within Mexican territory to receive notifications.
- n. Incentive alignment scheme in case of crowdfunding institutions.

**3. Once the authorization has been granted, the following shall be evidenced, at least 30 business days prior to the start of operations:**

- a. The incorporation of the company and its registration in the Public Registry of Commerce.
- b. Minimum capital fully subscribed and paid.
- c. Fulfillment of requirements of its board members and directors.
- d. Having the technological infrastructure, internal controls, policies, procedures and manuals to conduct its activities.

The CNBV must issue the resolution within a period of no more than 180 calendar days from the business day after the filing of the application. The authority is allowed to extend this term, but it cannot exceed more than half of the original term.

The favorable resolution must be published in the Federal Official Gazette and must contain the type of FTI and authorized operations.

It is important to mention that the Fintech Law also regulates the following:

**1. Virtual assets:**

Defined as electronically registered representations of value that require authorization from the Mexican Central Bank (i.e. Banco de México).

**2. Novel models:**

Defined as those companies that conduct activities that are not included in the two recognized categories of FTI and that require authorization from the CNBV.

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