

1999 FINANCIAL SYSTEM REFORMS

This document contains the most important financial sector provisions issued in 1999. In order to facilitate their consultation, this document orders them by topics beginning with provisions issued by Banco de México to regulate monetary and foreign exchange policies. Provisions issued by the Bank as financial system regulator and federal government financial agent are also included. Finally, a brief explanation is provided of the most relevant financial sector regulations not issued by the Central Bank.

US DOLLAR SALE OPTION AUCTIONS

On December 22nd 1998, the Foreign Exchange Commission decided to renew US dollar sale options that had been suspended owing to conditions in the foreign exchange market. Following a pick-up in this market, on January 4th, 1999, Banco de México, renewed the auctions. As of the same date, if by the fifteenth of each month eighty percent or more of US dollar sale options auctioned the previous month have been exercised a new auction is no longer called.¹

US DOLLAR SALE AUCTIONS

In order to establish an alternative procedure that would be applicable when bids in Banco de México auctions cannot be made owing to system failures and force majeure, it was decided that changes to the mechanism used for selling US dollars to banks should be made. Consequently, it was decided that in the event of such failures, the Bank itself would communicate the situation to banks by any appropriate means and obtain the price at which they would be willing to buy dollars from Banco de México from banks or brokerage firms directly. The Bank would undertake sale transactions with banks that offered the most competitive prices.

The terms, timetable and conditions of sale would be those announced by Banco de México through the aforementioned channels on the premise that the sale will not exceed two hundred million US dollars and the lowest sale price would be two percent above the "Exchange Rate for Settling Foreign Currency-Denominated Notes in Mexico" published by Banco de México in the Official Federal Gazette on the day the dollar sale in question takes place. When dollars have been sold in accordance with the procedure described, the minimum price of the following day's dollar sale will be equivalent to multiplying the average weighted price of sales that took place on the previous bank working day by 1.02.

It was also established that the Bank will announce the amount and average weighted price of the dollars sold through press bulletins on the day the transactions take place.

MONETARY REGULATION DEPOSITS

In order to underscore the effectiveness of Banco de México's policy at influencing the level of short-term interest rates, Banco Central established

that as of February 1999, commercial banks should create monetary regulation deposits with the Bank with the following characteristics:

Aggregate amount: twenty five billion pesos.

Individual deposit amount: The result of splitting the amount pro rata based on the local and US dollar-denominated public funds of each commercial bank.

Term: undefined.

Yield: Every 28 days at a rate equal to the arithmetic average of the Interbank Equilibrium Interest Rate (TIIE) for the 28-day period obtained by Banco de México each bank working day during the period.³

SOFTWARE CONVERSION PROGRAM 2000

The National Banking Commission and Banco de México jointly issued provisions for banks and brokerage firms aimed at further developing the software conversion process due to Y2K. The most relevant provisions were:

I. The obligation to establish a control mechanism for already programmed computer systems and recommendation not to make any changes to already converted systems after September;

II. The obligation, as applicable, of the Ministry of Finance and Public Credit, Banco de México, the Mexican Bankers' Association, the Mexican Association of Securities Intermediaries, the National banking and Securities Commission as well as those responsible for financial transaction clearance and/or settlement systems, to participate in external tests through an external tests program conducted with main local and foreign clients, as well as the creation of a working group to coordinate Y2K contingency planning efforts comprised of personnel representing bank and brokerage firms' main business areas; and

III. The obligation to prepare and test contingency plans, mainly in relation to a database backup mechanism enabling operations to be fully restored in the event of any failures at the beginning of 2000.⁴

TRANSITORY MEASURES FOR CORRECTING POSSIBLE DISRUPTIONS TO PAYMENT SYSTEMS CAUSED BY INADEQUATE LIQUIDITY DISTRIBUTION DURING Y2K

At the end of October 1999, in accordance with international recommendations for the prevention of potential bank liquidity problems resulting from Y2K, and in order to avoid disruptions to payment systems in the event of an inadequate distribution of liquidity during the 2000 transition, Banco de México decided that the following measures could be taken with respect to the daily accumulated balance calculation periods November 25th to December 22nd 1999, and December 23rd 1999 to January 19th, 2000:

I. In the case of banks with a positive Single Account balance at the

close of trading on the corresponding day, create a local currency deposit for the total amount of the balance with Banco de México, with an overnight term and a rate equivalent to 80% of that day's weighted average interest rate used by banks to undertake overnight repurchase transactions with government securities, calculated and announced by Banco de México on a daily basis, and known in the market as the "government securities weighted funding rate"; and

II. Through Banco de México, grant banks with a negative Single Account balance at the close of trading on the corresponding day, a local currency credit for the total balance mentioned with an overnight term and an interest rate equivalent to 120% of the weighted average interest rate for that day used by banks undertake overnight buy and sell transactions with bank securities, calculated and announced by Banco de Mexico on a daily basis and known in the market as the "bank securities weighted funding rate".

At the end of the day on which the aforementioned deposits and credits have been made, Banco de México will inform banks of the transactions, the applicable rate and the date the corresponding calculation period has been extended to through its Accountholders' Service System, or any other appropriate means.⁵

DERIVATIVE TRANSACTIONS

On April 14th, the National Banking and Securities Commission (CNBV) and Banco de México jointly issued provisions regulating this market for brokerage firms. The importance of this regulation is that it broadens the range of transactions brokerage firms can undertake in the market, and a single law encompasses the rules regulating them.⁶

Thus the provision enables brokerage firms to undertake futures and options transactions, both in stock markets and OTC, on: a) Federal Treasury Certificates; b) nominal interest rates; c) the National Consumer Price Index, and d) stock market indexes, a group of shares or a share that trades in such markets.

Likewise, the following are recognized markets for entering into the aforementioned transactions: Chicago Mercantile Exchange, Chicago Board Options Exchange and Mid America Commodity Exchange, which is part of the Chicago Board of Trade and is located in Chicago, Illinois, USA, and the MexDer Mercado Mexicano de Derivados, S.A. de C.V., located in Mexico City.

Brokerage firms interested in performing such transactions must request authorization from Banco de México and CNBV separately and demonstrate that they meet the established requirements. Brokerage firms may enter into such transactions once they are in receipt of both authorizations.

Initial authorizations will last for six months and be renewable for up to two years. Brokerage firms whose authorization has been renewed may request permanent authorization as long as they present a report from an external auditor stating that it remains compliant with the requirements for each of the transactions for which permanent authorization is being sort.

Failure to provide information required by the authorities or entering into transactions under terms and conditions other than those prevailing in the market at the time, that are not in line with policies established by the competent authorities or sound financial practices, and transactions with individuals or corporations related to brokerage firms became additional reasons to suspend transactions.

Furthermore, at the request of the Mexican Association of Securities Intermediaries, for a six month period as of June 1st, 1999, brokerage firms that undertake transactions in the MexDer will be allowed to undertake futures on 91-day CETES and the 28-d TIIE, and for the same period as of July 29th, futures on ordinary participation certificates (CPOs) and units linked to stocks or shares without Banco de México's prior authorization. However, the CNBV's authorization will still have to be obtained where appropriate.⁷

With respect to the provisions governing these bank transactions, in March the Commodity Exchange Inc. was included as a market recognized by the Central bank for undertaking precious metal transactions, and the characteristics of both external auditors and reports issued in relation to institutions seeking permanent authorization to act as future and option transaction intermediaries were specified.⁸

FOREIGN CURRENCY TRANSACTION INVESTMENT REGIMES, TERM TO BE MET WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS AND LIABILITY ADMISSION REGIME IN THE REFERRED CURRENCY

In order to give commercial banks in the aforementioned regimes more flexibility, at the end of January Banco de México made the following modifications:

I. With respect to the foreign-currency transaction regime and the term to be met for transactions in such currency:

a. The liquid assets in which banks must invest their foreign currency liabilities were broadened;

b. The term of foreign-currency transactions generated through the granting of irrevocable commercial loans negotiated with clients was extended; and

c. Debt securities issued by trusts whose payment mechanism is based on flows generated by accounts receivable from abroad in favor of the trustor institution were excluded from the calculation of said regime and its conditions as long as there is no obligation on the part of the trustor institution to contribute any amount towards the payment of the debt securities and it has the prior authorization of Banco de México.

II. With respect to the liability admission regime denominated in or referenced to said foreign currency, it was decided that with Banco de México's prior authorization, the terms of debt securities rated "A-" or "P-1"

by Standard and Poor's and Moody's Investors Service, respectively, issued by institutions under programs that contemplate issuances being backed with letters of credit or credit lines granted by foreign financial entities with the abovementioned ratings, could be computed at the terms pending maturity of the corresponding letters of credit or credit lines.⁹

In March the means available to commercial banks for meeting the liquidity requirements of the foreign currency transactions investment regime was broadened to include US Federal Government securities placed abroad.¹⁰

RULES BROKERAGE FIRMS MUST ADHERE TO FOR CURRENCY TRANSACTIONS

Given the need for brokerage firms to balance their Foreign Exchange Risk Positions and comply with foreign currency obligations stemming from authorized transactions, on April 14th, 1999 Rules brokerage firms must adhere to for foreign-currency transactions were issued.¹¹

These rules established that with respect to brokerage firm transactions in US dollars or any other foreign currency with US dollar transferability and convertibility, the currencies and their equivalents must be delivered on the same value date, three working days after the corresponding trade date.

It was also decided that brokerage firms may only undertake foreign currency against local currency transactions with banks or brokerage firms, and foreign currency against foreign currency transactions with local banks or with foreign banks.

Furthermore, brokerage firms were prohibited from entering into foreign currency transactions under terms and conditions not prevailing in the market at the time, or which breach official exchange rate policies or healthy financial practices.

With respect to transaction receipts and documents, it was decided that brokerage firms must issue receipts for their foreign currency transactions and that they can be documented in standard contracts stipulating the terms and conditions agreed to by each party as long as brokerage firms record the accounting of such transactions and always confirm them through an appropriate means involving written evidence of the corresponding transaction the day it takes place and assigns them a sequential number in accordance with the standard contract's number.

In the event of their being an agreement to use electronic media (computing or telecommunication) for the performance of such transactions, reciprocal identification codes must be specified along with the responsibilities associated with to their use.

DEBT TRANSACTIONS

At the end of August, and because they are viewed as contrary to sound practices and bank uses, Banco de México prohibited commercial banks from undertaking transactions that offer clients goods or services paid for by debiting accounts that document debt transactions, stipulating that in order to avoid such charges the depositors themselves must state their non-

conformity.¹²

GUARANTEES GRANTED TO BANCO DE MÉXICO

On June 18th, the Federal Official Gazette published the General Rules of the New Program referred to in the Fifth Transitory Article of the Bank Savings Protection Law, under which payment instruments charged to the Bank Savings Protection Fund (FOBAPROA) will be replaced by payment instruments charged to the Bank Savings Protection Institute (IPAB). Likewise, in accordance with articles seven and nineteen of the Bank Savings Protection Law, the IPAB also took charge of financial health programs other than the portfolio purchase capitalization ones undertaken by FOBAPROA. As a result Banco de México decided to accept payment instruments charged to IPAB stemming from the different aforementioned provisions, as a guarantee for transactions that commercial banks enter into with the central bank.¹³

NET HOLDINGS OF BANK AND GOVERNMENT SECURITIES

In order to limit the risks that banks and brokerage firms are exposed to as a result of interest rate fluctuations, on December 22nd, 1999, Banco de México decided to issue Circular-Telefax 35/99 aimed at commercial banks which establishes a special regime for bank and government security holdings denominated in local currency and investment units with a duration of more than 365 days, and Circular 97/99 aimed at brokerage firms, which establishes a similar regime for repo and securities lending transactions that brokerage firms undertake with such securities.

In accordance with the aforementioned provisions, every day banks and brokerage firms must classify their bank and government local currency and investment unit-denominated securities that have a duration of more than 365 days calculated on the basis of the stated procedure and cash from transactions involving said securities. At the end of their daily transactions on the last day of the third month preceding the month in question, said entities may not have a Net Securities Holding -determined in accordance with the provisions in question- with an absolute value of more than 5 percent of the entity's Tier 1 capital calculated, in the case of banks, based on Rule Six of Commercial Bank Capitalization requirements, and for brokerage firms based on Rule Four of Brokerage Firm Capitalization requirements for the same period. The regime was also made applicable to development banks through Circular-Telefax 38/99 dated December 30th, 1999.

The regime in question is not applicable to banks and brokerage firms that have and maintain the Central Bank's authorization for entering into interest rate and nominal future transactions under the applicable regulations.

INVESTMENT REGIME EXEMPT TRUSTS

Given that the market (MexDer, Mercado Mexicano de Derivados, S.A. de C.V.) for stock market traded standard futures and options contracts opened in December, 1998, and that the Rules regulating this market provide for the existence of trusts third parties can be included in as trustors and

trustees, on January 8th, 1999, Banco de México waived such trusts' obligation to invest funds received in the form of a non-interest bearing cash deposit in Banco de México.¹⁴

TRUSTS THAT MANAGE SUMS OF MONEY PERIODICALLY CONTRIBUTED BY MARKETING SYSTEM CONSUMER GROUPS

On November 18th, 1999, the Official Federal Gazette published the "Emergency Official Mexican Rule NOM-EM-006-SCFI-1999, Commercial Practices-Marketing Systems, consisting of the integration of consumer groups-information contracts for standard contracts", which, among other provisions establishes the obligation of marketing system providers to have a actuarial study on the financial viability of the marketing system prepared by a prestigious office which should be updated on an annual basis. Consequently, in addition to: a) the need to improve provisions aimed at providing more information on the financial solidity of self-financing schemes in favor of consumers that participate in said systems, and b) diverse requests from banks to extend the contracting deadline of self-financing schemes operated through trusts that manage sums of Money that are periodically contributed by consumer groups through marketing systems aimed at the acquisition of new real estate and/or the provision of services, Banco de México decided to make changes to the regulations applicable to banks that act as trust companies in these trusts.

In the first place prior to the creation of the aforementioned trusts an obligation was placed on banks to obtain a professional actuarial report on the financial viability of the system from the person seeking to act as trustor. It was also established that the respective trust contracts should include the trustor's obligation to submit a professional actuarial report stating that the self-financing scheme in question remains viable from a financial point of view to the trust institution within the first three months of each year. Should the trustor fail to comply with said obligation the trustor institution must inform the Consumer Protection Agency of the situation within 5 bank working days as of the date of non-compliance.

Likewise, the contract additional to the trust's that the trust company and marketing company must enter into, must state the latter's obligation to submit to the trust company information and documents substantiating that their self-financing systems comply with the Consumer Protection Federal Law and its provisions at least once a year.

Furthermore, in accordance with diverse requests from banks, financing terms were extended from 4 to 5 years.

Finally, banks were informed that as of November 22nd, 1999, when the aforementioned provisions came into effect, new consumer groups may not be included in trusts created prior to September 29th, 1998.¹⁵

FUND CLEARANCE AND TRANSFER

As of February 3rd, 1999, Banco de México allowed banks with a positive balance in local currency in their account with Banco de México to settle amounts charged by clearing houses in relation to local currency-

denominated documents before exercising credit lines other banks had granted them. Likewise, the formula for determining the maximum amount of such credit lines was changed.¹⁶

In April and October, clearing houses set up by Cecoban, S.A. de C.V., in Nuevo Casas Grandes y Parral, Chihuahua and in Colima, Colima and Aguaprieta, Sonora, were cancelled owing to the very small number and amount of documents cleared by them.¹⁷

CREDIT SUPPORT PROGRAMS

In view of the fact that on December 16th, 1996, the Federal Government and the Mexican Bankers' Association signed the Agreement on Benefits for Mortgage Loan Debtors and Benefit Programs for Agriculture and Fishing Sector Borrowers as well as Business Loans, Banco de México authorized that loans restructured under the aforementioned Agreement and Programs will have a thirty year duration as of the date on which each loan restructuring is formalized.¹⁸

Likewise, in order for debtors to be able to restructure their loans by September 30th, 1999 at the latest, under the terms set forth in the Agreement and Programs indicated in the paragraph above, the Ministry of Finance and Public Credit decided to restore, until that date, credit lines open to fiduciary institutions under the following Programs: a) National Industry Credit Support (for local currency and US dollar-denominated debts); b) National Industry Credit Support through the Restructuring of Rediscounting Transactions with Independent Non Banking Financial Intermediaries; c) National Industry Credit Support through First Tier Loans, d) National Industry Credit Support through the Restructuring of Rediscounting Transactions of Commercial Banks with Development Banks; e) Support for Mortgage Loan Borrowers; f) Support for Housing Construction in the Loan Individualization Stage; g) for Agriculture and Fishing Sector Financing as well as those related to Minimum Rental Payment Schemes.¹⁹

At the end of September 1999, the Mexican Bankers' Association and the Ministry of Finance and Public Credit decided to extend the period referred to in the paragraph above so that debtors that sign and deliver a letter of intent manifesting their interest in signing the aforementioned Agreement and/or Programs to the lender as of September 30th, 1999, have until March 31st, 2000 to complete the formalities.²⁰

As a result of the extension of the term mentioned in the previous paragraph, and at the request of the Mexican Bankers' Association, on November 26th, 1999, the Ministry of Finance and Public Credit decided to modify procedures so that banks reverse investment unit amounts registered as surpluses when debtors failure to formalize the corresponding restructuring contracts under the aforementioned Agreement and/or Programs.²¹

In the middle of December the Ministry of Finance and Public Credit submitted an official document to the Institute for the Protection of Bank Savings containing diverse modifications to procedures for the capitalization and/or payment of support generated by the application of: a) the National Industry Credit Support Program; b) the Additional Benefits Program for

Mortgage Loan Debtors sections III, payments and V discount, FOVI type housing; c) annex 8 relative to FOVI type housing loans, Bank Debtors Immediate Support Agreement; d) the Agreement for Agriculture and Fishing Sector Financing; and e) the Agreement for the Financing and Development of Micro, Small and Medium-sized Companies.²²

At the beginning of August, Banco de México published an document issued by the Ministry of Finance and Public Credit stating the terms under which commercial banks must report the financial support referred to in Circular 1437 of the National Banking and Securities Commission granted to FOVI type mortgage debtors from January to July, 1999.²³

RELEVANT FINANCIAL SECTOR PROVISIONS

a) Provisions relative to the Bank Savings Protection Institute (IPAB)

The Bank Savings Protection Institute (IPAB) began functioning on May 28th, 1999. Based on an Agreement published on July 16th, 1999 in the Official Federal Gazette, the Institute became a decentralized body of the Ministry of Finance and Public Credit.

The most relevant provisions the Institute has issued include ones related to ordinary quotas commercial banks must meet published in the Official Federal Gazette on May 31st, 1999.

The provisions establish that commercial banks must meet IPAB monthly quotas equivalent to one-twelfth of four-thousandths of the monthly average of the daily balances of their debt transactions for the month in question. Likewise, the National Banking and Securities Commission must inform Banco de México of the final amount of ordinary quotas as well as any adjustment to the provisional amount in order for the Central Bank to charge the bank's single account by simultaneously making the respective credits to the Central Bank's own IPAB account, thus phasing out provisions related to the ordinary contributions that commercial banks had to make to the Central Bank as fiduciary of the Bank Savings Protection Fund (FOBAPROA).

Another provision issued by IPAB related to the general rules of the program that replaces the FOBAPROA "Loan Portfolio Purchase and Capitalization Program" were issued based on the Fifth Transitory Article of the Bank Savings Protection Law published on June 18th 1999 in the Official Federal Gazette.

These rules state that once the audits ordered by the Lower House of Congress have been completed, banks that participated in the "Loan Portfolio Purchase and Capitalization Program" may opt to terminate the agreements and cancel any transactions with FOBAPROA, must return the payment instruments issued in their favor to it for cancellation and sign a standard contract with IPAB creating a trust to which each institution is under the obligation to deliver all of the amounts and other goods and services received due to or as a consequence of the management, recovery and collection of portfolio loans and transactions.

IPAB will sign and deliver to each bank included in the aforementioned trust, the payment instruments that will replace the FOBAPROA

instruments, which will maintain the same accounting value at the value-date of the transaction, term, interest payments, yield and capitalization amortizations as the payment instruments issued by FOBAPROA.

Furthermore, on May 31st, 1999, the Official Federal Gazette published the Program announcing notes that are guaranteed during the Bank Savings Institute's transition period.

The Program establishes seven stages during which the notes guaranteed by the IPAB will be gradually reduced as follows:

First Stage.- As of June 1999, IPAB will guarantee all of the notes charged to commercial banks as long as they stem from their own operation, the only exception being debt stemming from subordinated notes; loans granted between banks that participate in fund transfer systems managed by Banco de México to back obligations in favor of Banco de México; notes in favor of intermediaries that are part of the financial group that the respective bank is also part of; transactions that have not adhered to legal provisions, rules, or administrative provisions as well as sound bank practices and uses when there is bad faith on the part of the principal; notes and deposits in favor of shareholders, members of the Board and officers corresponding to the first two levels of the bank's hierarchy, attorneys in fact with administrative powers and general managers of those banks as well as those related to unlawful acts or transactions mentioned in article 400 Bis of the Federal Penal Code.

Furthermore, as of the dates indicated below, the IPAB will no longer guarantee the following notes:

Stage Two.- As of January 1st, 2000, obligations banks acquire resulting from stock and metal derivatives.

Stage Three.- As of January 1st, 2001, obligations from derivative transactions that take place in recognized exchanges.

Stage Four.- As of January 1st, 2002, the obligations from deposits in guarantee from contributions in favor of the Federal Treasury and securities settlement accounts.

Stage Five.- As of January 1st, 2003, the maximum amount the IPAB will pay for notes not excluded in the previous stages will be equivalent to ten million investment units per individual or corporation, regardless of the number and type of such notes with the institution.

Stage Six.- As of January 1st, 2004, only deposits, loans and credits referred to in sections I and II of article 46 of the Law on Credit Institutions will be guaranteed for an amount equivalent to five million investment units per individual or corporation, regardless of the number and type of such notes with the institution.

Stage Seven.-As of January 2005, in the terms of articles 6 and 11 of the bank Savings Protection Institute, only the balance of guaranteed obligations will be paid based on the amount of principal and accessories in relation to transactions referred to in sections I and II of article 46 of the Law on Credit Institutions for an amount equivalent to four hundred thousand investment units per individual or corporation, regardless of the number and type of

such notes with the institution.

At no time will the guaranteed notes regime established in the Program in question take into account the date on which the notes were contracted but rather, where appropriate, the date the IPAB published the resolution concerning the settlement, payments suspension or bankruptcy of the bank in question.

b) New Commercial Bank Capitalization Requirement Rules and the Resolution modifying the Rules for Grading the Loan Portfolio of Banks referred to in article 76 of the Law on Credit Institutions

On September 22nd, 1999, the Official Federal Gazette published Commercial Bank Capitalization Requirement Rules and the Resolution Modifying Bank Loan Portfolio Grading Rules referred to in article 76 of the Law on Credit Institutions issued by the Ministry of Finance and Public Credit.

These provisions are part of actions undertaken by the financial authorities to support and strengthen banks' financial conditions. Likewise, the changes imply greater emphasis on international standards for dealing with such aspects.

The main objectives of the new capitalization rules include: improve the overall banking system both qualitatively and quantitatively; encourage commercial banks to improve their financial condition and solvency; increase banks' access to capital resources; foster banks maintaining a level of capitalization that is congruent with their integral and risk profile and ensure the capitalization of banks at the beginning of 2003, when the reduction in deposit insurance coverage will have a big impact on commercial banks' debt.

Modifications envisaged to new capitalization Rules for commercial banks include the following: until 2003 deferred taxes will be gradually limited to a 20% participation in the net tier one capital of commercial banks; banks must deduct the value of the stock acquired from non bank banks from their net capital; subordinated notes necessarily convertible into securities of the issuer may only form part of the bank's complementary capital and the issuance of new bank capitalization instruments which have been widely used by international banks is authorized.

Bank capitalization rules will come into effect on January 1st, 2000 and will be applied gradually so that by 2003 the quantity and quality of banks' capital is strengthened.

With respect to reforms made to loan portfolio grading rules, the fixed percentages of existing provisions will be eliminated by incorporating continuous ranges of between 0 and 100 percent and the concept of general provisions becomes part of banks' complementary capital defined provisions created to back the unidentified losses of a given loan. Likewise more powers are conferred on the National Banking and Securities Commissions to issue standards related to the new loan portfolio grading methodology. The provisions in question came into effect on the date they were published in the Official Federal Gazette and will be applied gradually as the National Banking and Securities Commission issues the methodologies for different

types of loan portfolio.

c) Criminal law reforms to diverse financial laws and the Federal Penal Code

Through a decree published in the Official Federal Gazette on May 17th, 1999, diverse criminal law provisions of the Law on Credit Institutions, of the General Law on Credit Organizations and Auxiliary Credit Organizations, the Federal Law on Surety Institutions, the General Law on Mutual Insurance Companies and Institutions, the Stock Market Act and the Law on Retirement Savings Systems and the Federal Criminal Procedures Code were also amended. The amendments focus mainly on increasing prison terms and fines and establishing new ones associated with aggravating circumstances. Likewise, forms of conduct are typified that while already considered criminal offenses in other legislation, were not adequately described or were not sanctioned in accordance with their level of severity when they occurred in the financial system.

The aforementioned laws include the possibility of board members having criminal liability as well as anyone that directly intervenes in a transaction that not only results in bankruptcy, but also has a material impact on the wealth of any financial system participant.

Likewise, the term within which actions corresponding to the commission of crimes regulated by the aforementioned laws may take effect is established, it being three years as of when there is knowledge of the crime and the delinquent, or five years as of the date on which the crime took place if there is no knowledge of it.

The reform establishes that prosecution of the crimes is at the request of the interested party, not just the Ministry of Finance and Public Credit prior to receiving the opinion of the National Banking and Securities Commission or the National Insurance and Surety Commission as was previously the case.

Activities undertaken by National Banking and Securities Commission or National Insurance and Surety Commission officials can be considered crimes when there is a close connection with bribery and they seek an undue advantage, either individually or through a third party.

Likewise the reform punishes whoever encourages or orders someone else to commit a crime related to bank and credit services while an employee, board member or official.

Individuals who undertake activities reserved for financial intermediaries without due authorization will also be sanctioned, as will persons with authorization who breach the respective rules.

The Law on Credit Institutions mentions new types of conduct constituting a crime related to the production, reproduction, distribution, commercialization, introduction into the country, use and possession of any banking system payment instrument either without the consent of the authorized person or with it while knowing the payment instruments to be false. The aim is to give bank system participants and users greater security with respect to their transactions and activities by also punishing anyone

who alters electronic identification media and accesses banking system electromagnetic equipment with the intention of making illicit use of economic media or funds, as well as types of conduct closely related to fraud.

Anyone who obtains and makes unlawful use of client information, resources or financial system transactions without the corresponding authorization also receives a punishment.

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- ¹ Circular-Telefax 1/99 for the country's banks.
 - ² Circulars-Telefax 30/99 and 31/99, for the country's banks.
 - ³ Circular-Telefax 9/99 for commercial banks.
 - ⁴ / The Circular was created for banks on February 23rd, 1999 and for brokerage firms on February 25th the same year.
 - ⁵ Circular-Telefax 29/99 directed at the country's banks.
 - ⁶ Circular 10-231 issued jointly by Banco de México and the National Banking and Securities Commission.
 - ⁷ Circulars 96/99 and 96/99 Bis, for brokerage firms.
 - ⁸ Circular-Telefax 10/99 for commercial banks.
 - ⁹ Circular-Telefax 5/99 for commercial banks.
 - ¹⁰ Circular-Telefax 10/99 for commercial banks.
 - ¹¹ Circular 95/99 for brokerage firms.
 - ¹² Circular-Telefax 22/99 for commercial banks.
 - ¹³ Circulars-Telefax 23/99 and 24/99 for commercial banks.
 - ¹⁴ Circular-Telefax 3/99 for commercial banks, which was made applicable to development banks through Circular-Telefax 4/99.
 - ¹⁵ Circular-Telefax 32/99, for commercial banks, which was made applicable to developments through Circular-Telefax 33/99.
 - ¹⁶ Circular-Telefax 7/99, for commercial banks and 8/99, aimed at development banks.
 - ¹⁷ Circulars-Telefax 14/99 and 27/99, for commercial banks, and 15/99 and 28/99, for development banks.
 - ¹⁸ Circular-Telefax 11/99 for the country's banks.
 - ¹⁹ Circular-Telefax 12/99 for the country's banks which among others the document 305.-052/99 sent by the Ministry of Finance and Public Credit.
 - ²⁰ Circular-Telefax 26/99 for the country's banks.
 - ²¹ Circular-Telefax 34/99 for the country's banks.
 - ²² Circular-Telefax 36/99 for the country's banks.
 - ²³ Circular-Telefax 19/99 for commercial banks.