

2013 Financial System Reforms

This document contains a brief description of the most important provisions issued by Banco de México in 2013 as well as the main amendments to financial legislation made during that year.

I. PROVISIONS ISSUED BY BANCO DE MÉXICO

TRANSFERS USING MOBILE DEVICES

In order to foster financial inclusion to give a larger segment of the population access to bank services and financial service innovation, through efficient payment and withdrawal media that are secure and expedite, and use technology developed for such purposes, diverse provisions were modified to permit the use of mobile devices for undertaking electronic fund transfers. Thus, regulations issued for that purpose established the terms and conditions banks should adhere to when providing such a service, as well as ceilings on the commissions charged to clients.¹

Furthermore, given the appropriateness of strengthening competition between banks offering clients electronic fund transfers to accounts identified using the last ten digits of a cellular phone line, the terms and conditions applicable to how clearing houses that process such transfers work and operate were established as well as the requirements they should meet, and the procedure they should follow to organize and operate as such.²

DERIVATIVE TRANSACTIONS UNDERTAKEN BY RETIREMENT MUTUAL FUNDS

In order to ensure that these mutual funds can better manage risks associated with unexpected events, and in accordance with the request made by the National Savings System Commission, the regime applicable to the derivative transactions that such funds can perform was updated to enable them to undertake options on futures, Swaps and future transactions on Swaps.³

MAXIMUM AMOUNT OF CHECKS MADE OUT TO THE BEARER

With a view to protecting the interests of depositors and contributing to the prevention of fraud using checks made out to the bearer, the maximum amount of money that such checks can be made out for was reduced to five thousand pesos, and so checks for larger amounts must always be nominative. It should be mentioned that checks made out to the bearer could previously be for any amount below twenty thousand pesos.⁴

LIQUIDITY FACILITIES FOR COMMERCIAL BANKS

In order to foster the sound development of the financial system and the solid working of payment systems, some clarifications were made regarding securities that can be used in repurchase agreements within Banco de México's financing framework for commercial banks with temporary liquidity needs.⁵

II. FINANCIAL LEGISLATION

INSURANCE AND SURETY INSTITUTIONS LAW

This new law⁶, which will come into effect in 2015, aims to regulate, in a single piece of legislation, the operation and working of insurance, surety and mutual insurance companies as well as the activities and transactions they can perform, and other participants in insurance and insurance company activities, such as insurance and surety agents.

It states that in accordance with Banco de México provisions, insurance and surety companies may undertake securities lending and repo transactions acting only as lenders or borrowers. Likewise, and also in accordance with such provisions, insurance companies may undertake derivative transactions exclusively to hedge risks.

This law effectively repeals the General Law on Insurance and Mutual Insurance Companies and the Law on Surety Institutions.

INSURANCE CONTRACT LAW

This law was amended and broadened⁷ to include surety insurance as an additional option as well as to make diverse clarifications and adjustments to said legislation to: i) improve the operation of obligatory insurance; ii) clarify the payment procedure in the event of concurrent insurance; specify the payment procedure in the event of concurrency, and iii) modify texts related to the payment of premiums and insurance contract effects.

¹ [Circular 2/2013](#), directed at banks and Financiera Rural, as well as [Circular 5/2013](#), directed at banks and regulated multiple purpose non-bank banks, both dated December 4, 2013, published in the Official Federal Gazette on December 6, 2013.

² [Circular 3/2013](#), dated December 4, 2013, published in the Official Federal Gazette on December 6th, 2013.

³ [Circular 6/2013](#), directed at retirement mutual funds dated December 26, 2013, published in the Official Federal Gazette on December 27, 2013.

⁴ [Circular 1/2013](#), directed at banks and Financiera Rural, dated September 12, 2013, published in the Official Federal Gazette on September 13, 2013.

⁵ [Circular 7/2013](#), directed at commercial banks, dated December 30, 2013.

⁶ The Decree issuing the Law on Insurance and Surety Companies was published in the Official Federal Gazette on April 4, 2013, which will come into effect on April 4, 2015.

⁷ The amendments and additions to the Insurance Contract Law and additions to the Insurance Contract Law made through the Decree mentioned in footnote 6 above, will come into effect the following their publication in the Official Federal Gazette.