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General Rules to which the Federal Act to Prevent and Identify Transactions Involving Illicit Funds Refer

On August 23, 2013, the General Rules (the “**Rules**”) to which the Federal Act to Prevent and Identify Transactions Involving Illicit Funds and its Regulation refers were published in the Official Federal Gazette. To read the complete text of Resolution 02/2013, on account of which the Rules are issued, [click here](#).

The terms prefaced in uppercase that are not defined in this report, were defined in the report on the Act or in the report on the Regulation. To read the report on the Act, [click here](#), to read the report on the Regulation, [click here](#). Or, on the other hand, you may read the available digital version of these and other reports online at www.vonwobesersierra.com.

OBJECTIVE

The Rules have two main objectives; first, to establish means and procedures to enable those who engage in Vulnerable Activities (pursuant to article 17 of the Act) to prevent and detect transactions with illicit funds; and, second, to establish the terms for the presentation of notifications.

DEFINITIONS

The Rules establish definitions of some words that are used in the Regulation and in the Act. Although many definitions are provided, it is incumbent to review some of them which, indirectly, may determine the reach of the Act.

Beneficiary, the person designated by the titleholder of an agreement or contract executed with any person who engages in a Vulnerable Activity so that, in case of death of the titleholder, said designated person may exercise the rights derived from the aforementioned agreement or contract;

Controlling Beneficiary or Owner Beneficiary, the person or group of persons that:

a) Through another person or any act, obtains the benefits of these and is who, finally, exercises the rights of usage, entitlement, enjoyment, utilization, or disposition over a good or service; or,



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b) Exercises control over the entity that, as Customer or User, performs actions or transactions with anyone who engages in a Vulnerable Activity, as well as the persons for whom the person executes any of them.

It is understood that a person or a group of persons controls an entity when, through ownership of securities, by contract, or through any other act, may:

i) Impose, directly or indirectly, decisions in the General Shareholders' or Members' Meetings or any other equivalent bodies, or may appoint or remove most of the board members, administrators or their equivalent;

ii) Maintain ownership over rights that entitle it, directly or indirectly, to exercise voting rights of over fifty per cent of the capital stock, or,

iii) Determine, directly or indirectly, the administration, strategy, or the main policies of the entity;

Client or User, any legal entity or individual person, as well as the trust funds that execute acts or transactions with those who engage in Vulnerable Activities;

IDENTIFICATION OF THOSE WHO ENGAGE IN VULNERABLE ACTIVITIES

Pursuant to article 17 of the Act (Regarding Vulnerable Activities) certain Vulnerable Activities will be subject to identification and, in some cases, to Notifications to the authorities. For such purpose, the Regulations establish, in articles 12 and 13 (Regarding Obligations), the obligation for those who engage in Vulnerable Activities to register (or be registered) in the Federal Taxpayers Registry and to have a valid Advanced Electronic Signature to log on before the SAT and be able to file the Notifications. Furthermore, the Regulation establishes that the information the Rules refer to must also be filed. These Rules in turn state that individuals shall file the information referred to in Annex 1 to the Rules and that legal entities shall send the information referred to in Annex 2.

Once SAT receives the information referred to above, it will issue an electronic registry and sign in acknowledgment and will grant access to the electronic means for the reception of any notices, communications, or reports whatsoever on behalf of the SAT, the UIF or the Ministry of Finance and Public Credit.

Those who have registered and cease engaging in Vulnerable Activities shall, through the same means, cancel their registration from the system.



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Legal entities, pursuant to article 20 of the Act, shall designate a representative who shall be in charge of the filing of the Notifications with the information referred to in Annex 2.

IDENTIFICATION OF THE CLIENTS AND USERS OF THOSE WHO ENGAGE IN VULNERABLE ACTIVITIES

Those who engage in Vulnerable Activities shall draft and observe Client or User identification policies. Pursuant to article 37 of the Rules, said document shall be made available for the UIF or the SAT 90 calendar days after the registry and sign in for the filing of Notifications referred to above.

Those who engage in Vulnerable Activities shall maintain a single identification file for every one of their Clients or Users. The file of each Client shall be formed in accordance with what is established in the annexes to the Rules.

For individuals of Mexican or other nationality with temporary or permanent residence in Mexico, the information set forth in Annex 3 to the Rules must be included.

For legal entities of Mexican nationality, the information set forth in Annex 4 to the Rules must be included.

All visiting foreign individuals, or those having a visa other than those established above, must include the information set forth in Annex 5 to the Rules.

Regarding foreign legal entities, the information set forth in Annex 6 to the Rules must be included.

Regarding the legal entities, agencies and companies that are listed in Annex 7-A, to whom the simplified regime will be applicable, they shall include the information set forth in Annex 7. If the client or the customer of anyone who engages in Vulnerable Activities is one of those persons identified in Annex 7-A and those persons were considered as low risk pursuant to the guides and best practices that the UIF issues, then simplified means may be used.

Regarding trust funds, the information set forth in Annex 8 of the Rules must be included.

Regarding the Beneficiary Owner, who engages in Vulnerable Activities, shall include the information set forth in Annexes 3, 4, 5, 6 or 8, as appropriate.

It shall be the responsibility of whoever engages in Vulnerable Activities to verify that the information gathered is authentic (or to request additional references), legible, to compare it with the originals, to keep a copy of all documents and information in a single file and available for review by the Authorities.



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For business groups, each client's or user's file may be formed by any of the persons that belong to the group. This may take place as long as certain conditions are met, like, for instance, the acquiring of an authorization on behalf of the client and the execution of agreements amongst companies of the group to guarantee the availability and control of the information.

If in an operation beneficiaries are designated, pursuant to the aforementioned the same information must also be requested from them.

The simplified means for the fulfillment of the obligations for low risk clients and users will consist of forming the identification files including only the information set forth in Annexes 3, 4, 5, 6 and 8 of the Rules.

It shall be the responsibility of whoever engages in operations through electronic means to verify the identification and prevent the improper use of the means of communication by implementing internal policies.

Those who engage in Vulnerable Activities will establish mechanisms to follow and gather the acts that the clients and users perform individually for the amounts equal to or greater than those indicated for identification and will accumulate all acts and operations in periods of at least six months.

Those who engage in Vulnerable Activities consisting of selling of credit, services or prepaid cards (or any other scheme of money storage) or those who market travelers' checks shall provide information about the usage and destiny of the funds.

The files of each client shall be reviewed at least once a year to check that they contain the information set forth in articles 12 and 16 of the Rules.

When anyone who engages in Vulnerable Activities has information based on leads or facts that one of the clients is acting on behalf of another person, it shall request information that permits the identification of the Beneficiary Owner. Anyone who engages in Vulnerable Activities shall refrain from executing operations with those who do not facilitate the requested information.

NOTIFICATIONS

The Notifications shall be filed before the UIF, through the SAT, electronically, using the Federal Taxpayers Registry number and the Electronic Signature on the Official Forms. Those who engage in Vulnerable Activities and have not during a particular month carried out any operation subject to Notification, shall file a report, on the Official Form, in which they shall only record the corresponding changes to the identification information of those who engage in the Vulnerable Activities as well as mentioning that in said period no acts or operations where subject to Notification.



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CONFIDENTIALITY AND RESERVATION OF INFORMATION

Those who engage in Vulnerable Activities or any of their members, board of directors, representatives, executives, etc., shall keep all information related to the acts or operations related to Vulnerable Activities confidential. Those who are subject to this obligation must refrain from warning:

- (i) Their clients or users of any reference that may be made to them in the Notifications;
- (ii) Their clients, users, or any third party regarding any document, images, data, or information requirements set forth in the Act and its Regulation; and,
- (iii) Their clients, users, and any third party of the existence or presentation of seizure orders that the competent authorities issue prior to their execution.

INFORMATION TRADING BETWEEN THOSE WHO ENGAGE IN VULNERABLE ACTIVITIES

Those who engage in Vulnerable Activities and belong to a business group may trade information regarding business relationships that they have established with their clients and users for those cases in which the purpose is to prevent crimes related with resources of illegal origin. The exchange shall take place under strict rules that guarantee the security and confidentiality of the information to be exchanged.

GENERAL PROVISIONS

Those who engage in Vulnerable Activities must access the electronic means (through which the Notifications will be filed) periodically. The Notifications will take effect at the time of acknowledgement of receipt, or, if applicable, 5 business days after the authorities issue the Notifications and make them available electronically. Those who engage in Vulnerable Activities, 90 days after registration, shall develop documents on which they describe the guidelines for client and user identification, as well as standards, means and internal procedures that it shall adopt to comply with the provisions of the Act, its Regulation and the Rules. The obligation to establish internal procedures to verify and update the information; to consider any client or user as a low risk client or user; procedures to prevent the improper usage of electronic means and to guarantee the safety and confidentiality of the information shared among parts of the business group are mentioned.

The UIF may issue and make available guidelines or best practices for the development of training programs for the fulfillment of the obligations established in the Act, the Regulation, the Rules and other applicable provisions.

TRANSITORY PROVISIONS

The Rules entered into effect on September 1, 2013.



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Should you have any questions or comments regarding the contents of this brief, the provisions of the Act, its Regulation, and the Rules or any other applicable provisions related with operations with illicit funds, please do not hesitate to contact us.

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Sincerely,

Von Wobeser & Sierra, S.C.

Mexico City, October 15th, 2013.