FATF

Anti-money laundering and counter-terrorist financing measures

Mexico

Follow-up Report & Technical Compliance Re-Rating

May 2022

The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

For more information about the FATF, please visit the website: **www.fatf-gafi.org**

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The FATF Plenary adopted this report by written process in May 2022.

Citing reference:

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Mexico's 4th Enhanced Follow-up Report

1. Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Mexico in November 2017.[1] This FUR analyses Mexico's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendations 32, 37 and 38. Re-ratings are given where sufficient progress has been made.

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Mexico has made to improve its effectiveness.

2. Findings of the MER

The MER rated Mexico's technical compliance as follows:

Table 1. Technical compliance ratings, November 2017 and 3rd Enhanced Follow-Up Report (June 2021)[2]

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	C	LC	LC	C	C	LC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	C	LC	LC	LC	C	C	PC	LC	PC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	NC	PC	LC	LC	LC	PC	C	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	PC	PC	LC	LC	LC	PC	PC	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).
Source: Mexico Mutual Evaluation Report, Jan 2018

Mr Kenneth Wong, Deputy Senior State Counsel, International Affairs Division, Attorney-General's Chambers from Singapore conducted the analysis of the re-rating.

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[1]   www.fatf-gafi.org/publications/mutualevaluations/documents/mer-mexico-2018.html
[2].   www.fatf-gafi.org/publications/mutualevaluations/documents/fur-mexico-2021.html

Section 3 of this report summarises Mexico's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

3. Overview of progress to improve technical compliance

This section summarises Mexico's progress to improve its technical compliance by addressing some of the technical compliance deficiencies identified in the MER.

Progress to address technical compliance deficiencies identified in the MER

Mexico has made progress to address the technical compliance deficiencies identified in the MER in relation to R.37 and 38. Because of this progress, Mexico has been re-rated on these Recommendations.

The FATF welcomes the progress achieved by Mexico in order to improve its technical compliance with R.32. However, insufficient progress has been made to justify an upgrade of this Recommendation's rating.

Recommendation 32 (originally rated PC)

In its 4th round MER, Mexico was rated PC on R.32 because it was not an offence to make a false declaration or disclosure of currency or BNIs and that sanctions for false declarations were not proportionate and dissuasive. There was no clear strategy by the customs authorities to deal with cross-border transportation of funds related to terrorist financing and customs authorities did not have the power to request and obtain information on the origin and the intended use of cash and BNIs upon the discovery of false declaration of these.

Mexico has not made any changes to its laws or processes to address the shortcomings identified relating to false declarations. Mexico has also not enhanced the powers of its customs authorities. False declarations of amounts equivalent to more than USD 10 000 but below USD 30 000 where these relate to ML/TF or other predicate offences, still do not attract proportionate and dissuasive sanctions.

Although through the development of the National Strategy to Combat Money Laundering and Terrorist Financing, Mexico's authorities are encouraged to establish clear processes and procedures to retain relevant information as well as facilitate international cooperation and assistance when there is a suspicion of terrorist financing, the specific processes or procedures undertaken by customs and other competent authorities remain unclear.

Therefore, **R.32 remains rated partially compliant**.

Recommendation 37 (originally rated PC)

Mexico's 4th round MER noted that there was no case management system for the timely implementation and follow-up of mutual legal assistance ('MLA') requests or clear criteria for the prioritisation of MLA requests. It was not clear whether Mexico could defer rather than refuse assistance if the implementation of the MLA request might hamper ongoing investigations or judicial proceedings and whether Mexico could execute an MLA request seeking controlled delivery.

Since the MER, Mexico has established a formal memorandum that applies the criteria for timely prioritisation and execution of MLA requests which takes into account the urgency and complexity of each request.

Further, since the MER, Mexico maintains a case management system in the form of the Correspondence Management System and the database for the registration and monitoring of the processing of MLA requests to monitor progress on MLA requests.

In addition, there is clear legal basis for deferring (rather than refusing) the execution of a request for legal assistance where its execution may prejudice or impede an investigation or judicial proceeding, as well as to execute an MLA request seeking controlled delivery.

Mexico has addressed all the deficiencies identified it its MER.

On this basis, R.37 is re-rated compliant.

Recommendation 38 (originally rated PC)

In its 4th round MER, Mexico was rated PC on R.38. Similar to R.37, there was no case management system for the timely implementation and follow-up of MLA requests or clear criteria for the prioritisation of and expeditious execution of MLA requests. Also, countries making asset recovery requests were required to make two requests, seeking first to identify the property or the location of the property and another asking that the property be frozen, seized, or confiscated, with the result that it could not be determined whether action is taken expeditiously.

As with R.37, it is noted that since its MER, Mexico has established a formal memorandum that applies criteria for timely prioritisation and execution of MLA requests, which takes into account urgency and the complexity of each request and keeps a case management system. This also applies to MLA requests seeking to identify, freeze, seize, or confiscate proceeds of crime. Mexico's legislation requires that the execution of MLA requests be carried out "as soon as possible", acting with "the utmost diligence". Mexico has also shown that it is able and does process requests for the identification/location of property and the seizure/forfeiture of the property within a single MLA request.

Mexico has addressed all the deficiencies identified it its MER.

On this basis, R.38 is re-rated compliant.

4. Conclusion

Overall, Mexico has made progress in addressing some of the technical compliance deficiencies identified in its MER and has been upgraded on R.37 and R.38. However, as it has not made sufficient progress on R.32, this remains rated partially compliant.

Considering progress made by Mexico since the adoption of its MER, its technical compliance with the FATF Recommendations has been re-evaluated in the following manner:

Table 2. Technical compliance ratings, June 2022

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	C	LC	LC	C	C	LC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
LC	C	LC	LC	LC	C	C	PC	LC	PC
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
LC	PC	NC	PC	LC	LC	LC	PC	C	LC
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	PC	PC	LC	LC	LC	C	C	LC	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Mexico will remain in enhanced follow up and will report back to the FATF on progress achieved on improving the implementation of its AML/CFT measures in June 2023.

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May 2022

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**Follow-up Report &
Technical Compliance Re-Rating**

As a result of Mexico's progress in strengthening their measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendations 37 and 38.

Follow-up report