



INTERIM FOLLOW-UP REPORT

# Mutual Evaluation of Mexico

19 October 2012





FINANCIAL ACTION TASK FORCE

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 (CFT) standard.

For more information about the FATF, please visit the website:

[www.fatf-gafi.org](http://www.fatf-gafi.org)

© 2012 FATF/OECD. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission.

Applications for such permission, for all or part of this publication, should be made to the FATF Secretariat, 2 rue André Pascal 75775 Paris Cedex 16, France

(fax: +33 1 44 30 61 37 or e-mail: [contact@fatf-gafi.org](mailto:contact@fatf-gafi.org)).

Photocredits coverphoto: ©Thinkstock

## CONTENTS

<b>MUTUAL EVALUATION OF MEXICO: INTERIM FOLLOW-UP REPORT</b> .....	2
I.    INTRODUCTION .....	2
II.   SUMMARY OF PROGRESS MADE BY MEXICO.....	2
III.  CONCLUSION .....	4
<b>ANNEX 1 LIST OF RECOMMENDATIONS AND SPECIAL RECOMMENDATIONS RATED PC AND NC IN THE MUTUAL EVALUATION REPORT</b> .....	6
<b>ANNEX 2 EXECUTIVE SUMMARY SUBMITTED BY MEXICO</b> .....	7
<b>ANNEX 3 LIST OF ACRONYMS AND THIRD FOLLOW UP REPORT BY MEXICO</b> .....	21

## MUTUAL EVALUATION OF MEXICO: INTERIM FOLLOW-UP REPORT

### THIRD FOLLOW-UP REPORT

*Note by the Secretariat*

#### I. INTRODUCTION

1. The relevant dates for the mutual evaluation report and subsequent follow-up reports of Mexico are as follows:

- Date of the Mutual Evaluation Report: 17 October 2008.
- Date of previous follow-up reports: 19 October 2010 (first) and 26 October 2011 (second).

2. The Secretariat proposes that the next report will be tabled in February 2013, and will be a detailed analysis to *i)* assess the progress that Mexico has reported regarding the majority of shortcomings; *ii)* assess if in relation to the remaining issues that are still before Congress (targeted) expedited or enhanced follow-up would be appropriate; and *iii)* if possible, set a date for Mexico's removal from follow-up.

#### II. SUMMARY OF PROGRESS MADE BY MEXICO

##### FINDINGS OF THE MER

3. In total, Mexico was rated partially compliant (PC) or non-compliant (NC) on 25 Recommendations. Five core Recommendations were rated PC (R1, R5, R13, SRII and SRIV), and no core Recommendation was rated NC. Three key Recommendations were rated PC (R23, SRI, SRV), and one key Recommendation was rated NC (SRIII) (see Annex 1). On this basis, the Plenary decided in October 2008 that Mexico should be placed under the regular follow-up process.

4. See the attached Annexes 2 and 3 for the material submitted by Mexico in support of this report. Annex 2 is an executive summary drafted by Mexico on its progress. This executive summary is linked to Annex 3, a table with a detailed overview of the progress made by Mexico for the identified shortcomings as of July 2012. For each shortcoming, the table shows the progress report by Mexico for the first and second follow-up report (middle main column), and the additional progress made over the most recent months. Annex 3 also contains a table on progress made on Recommendations rated LC.

## SUMMARY OF THE MAIN FINDINGS OF THE FIRST AND SECOND FOLLOW-UP REPORT

### *First follow-up report*

5. On 25 August 2008, the Federal Government put in place an interagency structure (“national agreement”) to develop a National Strategy for Preventing and Fighting ML/TF (the National Strategy). The final National Strategy was adopted on 26 August 2010. The National Strategy is designed to prevent ML/TF, deprive criminals from ML/TF gains and enhance the number of ML/TF court cases. Ultimately, the National Strategy is set to resolve issues related to R1, R2, R5, R9, R12, R16, R20, R24, R27, R28, R30, R32, R33, R38, SRII and SRIV. A Bill to implement the National Strategy in these areas was sent to Parliament in August 2010. Mexico also reported that it has already taken several measures in other areas. These include legal measures related to R3 and R38 (Forfeiture Act) and R27, R28 and R31 (Federal Police Law and Organic Law of the Office of the Attorney-General). Mexico had implemented organisational measures to improve the functioning of the FIU (R26) and to address R13, R30, R32 and SRIV. On the preventive side, regulations to enhance compliance with R5, R7, R8, R9, R11, R13, R23, SRIV and SRVI had also been issued.

### *Second follow-up report*

6. For the second follow-up report, Mexico continued to make progress in line with the National Strategy in relation to R1, R5, R13 and R23. However, on SRI, SRII, SRIII, SRV, and SRVII, Mexico was unable to report substantial progress after three years. Subsequently, the second follow-up report concluded that Mexico would need to show tangible progress on these SRs (such as a Bill before Congress). If not, the WGEI would at that time need to consider asking Mexico for regular updates on these SRs (i.e. targeted expedited follow-up).

### *Summary of the findings of the third follow-up report*

#### *Progress made regarding the core (Special) Recommendations rated PC/NC*

7. Mexico was rated PC for R1 (ML criminalisation), R5 (CDD), R13 (STRs), SRII (TF criminalisation) and SRIV (TF STRs):

- In relation to R1, the Bill that was sent to Congress to address some of the legal shortcomings regarding the criminalisation of ML is still pending before Congress. Mexico has also pursued a more effective implementation of the ML provisions through the National Strategy. Updated statistics are attached as part of the follow-up table.
- In relation to R5, the Federal Executive has issued a range of new regulations that are said to address all of the identified shortcomings for this Recommendation. If so, this would bring Mexico’s compliance to a satisfactory level.
- On R13 and SRIV, the FIU reports that it now receives all STRs, and the obligation to report TF STRS has been extended to most FIs.

- Regarding SRII, a Bill was introduced to Congress that is aimed to resolve the issues relating to SRII. This Bill should also address SRI and SRV.

8. None of the core Recommendations were rated NC.

*Progress made regarding the key (Special) Recommendations rated PC/NC*

9. Mexico was rated PC for R23 (Supervision), SRI (UN instruments) and SRV (TF international co-operation), and NC for SRIII (TF freezing).

- Regarding R23, Mexico continues to report sufficient progress at this stage, also on measures to enhance the effectiveness of the supervisory system. Somewhat more information, to be determined at a later stage, will be required reach a final positive conclusion on the effectiveness of the supervision.
- Regarding SRI and SRV, a Bill was introduced to Congress that is said to resolve the issues relating to SRI and SRV. This Bill should also address SRII.
- Regarding SRIII, Mexico was unable to report substantial progress after four years.

*Progress made regarding other Recommendations and Special Recommendations*

10. Mexico reports very specific progress on most other Recommendations rated PC or NC. The progress is provided in detail in the attached response from Mexico, some in the executive summary (Annex 2) and some in the table (Annex 3). As with the progress on core and key Recommendations rated PC/NC, a full analysis of the progress will only be possible once all measures have been implemented and analysed.

### III. CONCLUSION

11. Since its mutual evaluation, Mexico has worked to address the deficiencies identified in the MER. Many shortcomings have already been addressed, and Mexico's own estimation is that it has taken specific actions to address approximately 90% of all shortcomings identified in the MER.

12. On this basis, and considering that four years have passed since the MER, it seems appropriate to table a detailed analysis of all shortcomings identified in relation to the core and key Recommendations that were rated PC/NC, and if necessary, of all other Recommendations rated PC/NC, for February 2013. This may assist the FATF to set a date for Mexico's removal from regular follow-up. This would also allow Mexico's Congress time to deliberate and enact those Bills that address some of the remaining shortcomings (mostly related to R1 and the SRs) before the next FATF Plenary (the current session of Congress could be extended to 31 December 2012).

13. Specifically in relation to the remaining issues that are pending before Congress, it should be noted that expedited or enhanced follow-up remains a possibility, increasingly so as time passes. However, if the full analysis that would be tabled for February 2013 confirms that sufficient progress

has been made regarding other core and key Recommendations rated PC/NC, then such expedited or enhanced follow-up (if needed at all) could be targeted (i.e., focusing on the remaining issues only).

14. Specifically in relation to SRIII, no progress has been reported for four years, which is of concern to the Secretariat. Considering the fact that it is proposed that a full analysis will be tabled in February 2013, it is proposed that the lack of progress on SRIII is considered at that time as part of the full analysis. Mexico would; however, need to show tangible progress on SRIII in February. If not, it may be inevitable to consider expedited or even enhanced follow-up, at a minimum for SRIII.

FATF Secretariat

27 September 2012

## ANNEX 1

LIST OF RECOMMENDATIONS AND SPECIAL RECOMMENDATIONS  
RATED PC AND NC IN THE MUTUAL EVALUATION REPORT

PARTIALLY COMPLIANT (PC)	NON-COMPLIANT (NC)
<b>Core Recommendations<sup>1</sup></b>	<b>Core Recommendations</b>
R1 (ML Criminalisation) R5 (CDD) R13 (STRs) SRII (TF Criminalisation) SRIV (TF STRs)	None
<b>Key Recommendations<sup>2</sup></b>	<b>Key Recommendations</b>
R23 (Supervision) SRI (UN instruments) SRV (TF International co-operation)	SRIII (TF Freezing)
<b>Other Recommendations</b>	<b>Other Recommendations</b>
R8 (New technologies and non-FTF) R9 (3 <sup>rd</sup> parties) R17 (Sanctions) R25 (Guidelines and feedback) R27 (Law enforcement) R30 (Resources, integrity and training) R38 (MLA / Confiscation) SRVI (MVTs) SRVII (Wire transfers) SRVIII (NPOs) SRIX (Cash couriers)	R12 (DNFBPs) R16 (DNFBPs) R20 (other NFBPs) R24 (DNFBPs) R33 (Legal entities)

<sup>1</sup> According to the FATF mutual evaluation follow-up procedures, the core Recommendations are: R1, R5, R10, R13, SRII and SRIV.

<sup>2</sup> According to the FATF mutual evaluation follow-up procedures, the key Recommendations are: R3, R4, R23, R26, R35, R36, R40, SRI, SRIII and SRV.



## ANNEX 2

### EXECUTIVE SUMMARY SUBMITTED BY MEXICO

#### 1. INTRODUCTION

The level of compliance of Mexico's anti-money laundering and counter-terrorist financing (AML/CFT) regime with the FATF 40+9 Recommendations was evaluated in 2008 by a team conformed by representatives from the Financial Action Task Force (FATF), the FATF-Style Regional Body for South America (GAFISUD) and the International Monetary Fund (IMF). The evaluation led to the country's Mutual Evaluation Report (MER), which was adopted by the FATF Plenary in October 2008.

The MER identified several strengths in the country's AML/CFT regime, but also areas of opportunity for its improvement in full consistency with the FATF Recommendations. In this sense, specific observations were made to the case of Mexico, and the country entered into a regular follow-up process. In terms of the FATF regular follow-up process, the Government of Mexico (GOM) has kept the FATF and its members informed of its actions and achievements to fully comply with the observations included in the country's MER. The GOM has previously submitted follow-up reports in October 2010 and October 2011.

The GOM is now submitting its Third Follow-up Report. This report intends to provide the FATF and the international community with a comprehensive overview of the overall progress that the GOM has made in the prevention and combating of ML/FT during the past four years. Since the MER was adopted, the GOM has substantially increased its efforts in the fight against ML/FT. These efforts have resulted in important actions to establish a complete and sound AML/CFT legal and institutional framework. As a result, we are convinced that Mexico's current AML/CFT regime is far more advanced than it was before, when the MER was conducted.

#### 2. OBSERVATIONS INCLUDED IN THE MER OF MEXICO

The country's MER included a total of 137 observations, mainly focused in the improvement of Mexico's AML/CFT legal and institutional framework. As we describe in detail in the full-length Third Follow-up Report, the GOM considers that it has fully complied with many of these observations and has taken specific actions, which are dependent in the passing of legislation by Congress, to fully comply with most other additional ones.

Indeed, the GOM has taken many actions to fully comply with a diverse range of observations that include the following: (i) the money laundering offence is not being effectively implemented, (ii) there is insufficient focus on money laundering investigations committed through the financial system, (iii) the reorganization of the federal forces of investigation has created difficulties in the coordination between such forces and prosecutors, (iv) the reports filed by some sectors are not being transmitted to the FIU, (v) there is an underutilization of financial intelligence reports from the

FIU sector, (vi) there is no clear obligation to report the suspicion of the financing of international acts of terrorism, (vii) there is no mechanism in place to provide reporting institutions with more opportune and relevant feedback about their reports, (viii) there is no AML/CFT regulation and supervision for unregulated SOFOMES, (ix) there is insufficient supervision of currency exchange centers and money remitters, (x) there are inadequate CDD thresholds for business relationships for financial institutions, (xi) there is insufficient regulation for the identification of beneficial ownership and the purpose and nature of business relationships, (xii) the sanctions imposed to financial institutions are not sufficiently proportionate and dissuasive, (xiii) the regulations do not require some financial institutions to include and maintain CDD information on wire transfers, (xiv) there is no explicit requirement in some regulations to obtain senior management approval for existing PEP accounts and relationships, and (xv) Mexico can impose countermeasures only with respect to countries previously identified by an international organization, and not to countries of specific concern to Mexican authorities.

As for the observations that would be fully executed with the passing of legislation by Congress, we would like to highlight the following: (i) the criminalization of ML/FT is not entirely consistent with the international standards, (ii) the relevant international conventions (i.e. Vienna, Palermo, TF, etc.) are not being fully implemented, (iii) no AML/CFT regulations exist for any category of DNFBP, except trust services which only specified financial institutions can provide, and (iv) no consideration has been given to applying the FATF recommendations to other high-risk businesses and professions.

### **3. A NEW AML/CFT LEGAL FRAMEWORK**

The GOM understands that a solid AML/CFT regime must count with a comprehensive, consistent and modern legal framework. For that purpose, the Federal Executive envisioned the necessity for a national consensus on preventing and combating ML/FT, which took the form of a National Agreement for Security, Justice and Legality; and the importance of establishing a clear guidance for the efforts to be directed by Mexican authorities towards fighting both crimes, which took the form of a National Strategy for Preventing and Combating Money Laundering and Terrorist Financing. With these two basic documents, that provide consensus and direction, several bills for new laws or amendments of existing ones have been presented by the Federal Executive and congressmen to Congress. As we explain below, several of these bills have already been approved and have entered into effect, whereas others are still under analysis and discussion at Congress. Furthermore, an important part of the AML/CFT legal framework is established through general provisions issued by the Secretariat of Finance and Public Credit (SHCP), which as we shall see has issued or amended AML/CFT regulations for practically all financial institutions in the terms recommended by the MER.

#### **3.1. NATIONAL AGREEMENT FOR SECURITY, JUSTICE AND LEGALITY**

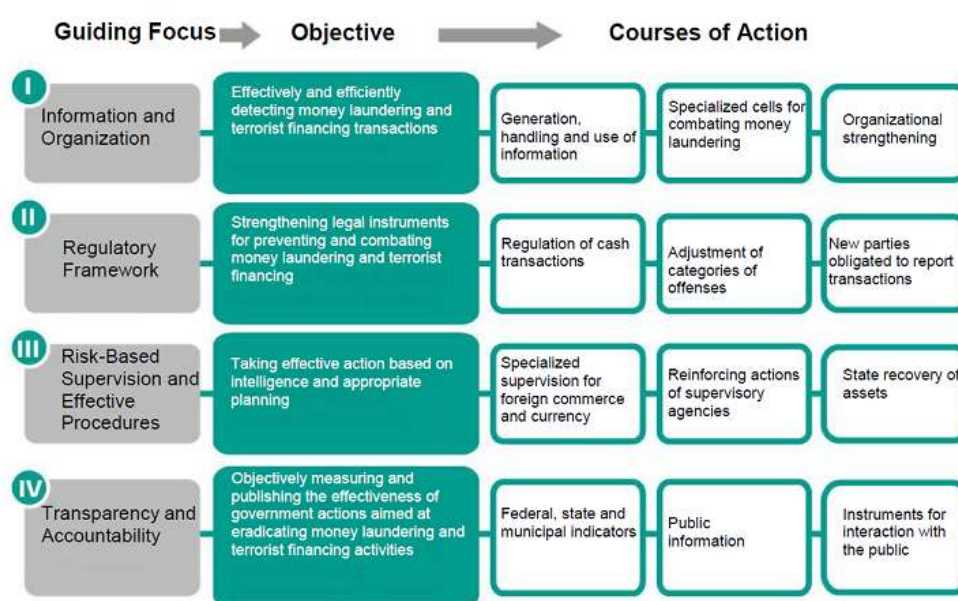
The National Agreement for Security, Justice and Legality (*Acuerdo Nacional por la Seguridad, la Justicia y la Legalidad*) was published in the Federal Official Gazette on August 25, 2008. The national agreement, endorsed by representatives from all the branches and levels of government and the

majority of sectors of civil society, established several measures, including the commitment of the Federal Executive to develop and deliver a national strategy against money laundering.

### 3.2. NATIONAL STRATEGY FOR PREVENTING AND COMBATING MONEY LAUNDERING AND TERRORIST FINANCING

The National Strategy for Preventing and Combating Money Laundering and Terrorist Financing (*Estrategia Nacional para la Prevención y el Combate al Lavado de Dinero y el Financiamiento al Terrorismo*) was developed by the Federal Executive and made public on August 26, 2010. The national strategy was conceived with two main goals: (i) preventing criminal organizations from making use of their proceeds, and (ii) prosecuting highly relevant cases of ML/FT in a timely and effective manner.

To achieve these goals, the national strategy considers four guiding focuses with their specific courses of action:



### 3.3. GENERAL LAW OF THE NATIONAL SYSTEM OF PUBLIC SECURITY

The General Law of the National System of Public Security (*Ley General del Sistema Nacional de Seguridad Pública*) was published in the Federal Official Gazette on January 2, 2009. The Law establishes the creation of the National System of Public Security, as a coordinator of national, local and municipal efforts with respect to public security.

### 3.4. FEDERAL LAW OF ASSETS FORFEITURE

The Federal Law of Assets Forfeiture (*Ley Federal de Extinción de Dominio*) was published in the Federal Official Gazette on May 29, 2009. The Law has six main objectives: (i) combating the economic and operational capacity of criminal organizations, (ii) combating the use of frontmen, (iii)

combating the possibility for criminal organizations to hide their illegal resources making them seem legal resources, (iv) forfeiting assets in a more efficient and effective way, (v) compensating victims of crime, and (vi) improving the international cooperation on assets forfeiture cases.

More recently, as an on-going effort to improve the existing legislation, the Federal Executive sent to Congress a Bill to reform the Federal Law of Assets Forfeiture on September 3, 2010. The Bill seeks to further improve the effectiveness of trials related to assets forfeiture by dissociating them from related offense trials, and to establish the presumption that assets have an illegal origin when their legal origin cannot be proved. The Bill is currently being analyzed and discussed at the Chamber of Deputies.

### 3.5. ORGANIC LAW OF THE OFFICE OF THE ATTORNEY GENERAL

The Organic Law of the Office of the Attorney General (*Ley Orgánica de la Procuraduría General de la República*) was published in the Federal Official Gazette on May 29, 2009. The Law establishes the structure and faculties of the Office of the Attorney General (PGR), and clearly sets the interaction and coordination between said agency and the Federal Police in their criminal investigations.

### 3.6. LAW OF THE FEDERAL POLICE

The Law of the Federal Police (*Ley de la Policía Federal*) was published in the Federal Official Gazette on June 1, 2009. The Law establishes the faculties of the Federal Police, and includes the responsibility of said agency to execute investigations with the purpose of preventing crime. The Law also indicates the Federal Police shall collaborate in investigations led by a federal prosecutor. Among the techniques of investigation that the Federal Police can employ in ML/FT cases, are the intervention of telephone conversations, undercover operations and criminal informants.

### 3.7. REGULATIONS OF THE LAW OF THE FEDERAL POLICE

The Regulations of the Law of the Federal Police (*Reglamento de la Ley de la Policía Federal*) were published in the Federal Official Gazette on May 17, 2010. The Regulations establish in further detail several aspects of the Law of the Federal Police, including investigation techniques.

### 3.8. AMENDMENTS TO THE GENERAL LAW OF AUXILIARY CREDIT ORGANIZATIONS AND ACTIVITIES

Amendments to the General Law of Auxiliary Credit Organizations and Activities were published in the Federal Official Gazette on August 3, 2011. The amendments established that multiple purpose finance companies (SOFOMES), foreign exchange centers and money remitters have to be registered and supervised by the National Banking and Securities Commission (CNBV) in order to operate. Under this new responsibility, the CNBV can determine sanctions and penalties when applicable, and has carried out its first on-site visits.

### **3.9. FEDERAL LAW FOR THE PROTECTION OF PERSONS THAT INTERVENE IN CRIMINAL PROCEDURES**

The Federal Law for the Protection of Persons that Intervene in Criminal Procedures (*Ley Federal para la Protección a Personas que Intervienen en el Procedimiento Penal*) was published in the Federal Official Gazette on June 8, 2012. The Law establishes a series of measures to protect and assist victims, witnesses, experts, policemen, federal prosecutors, members from the judicial branch and those who are relatives or have a close connection with the previously mentioned, whenever they are in risk or danger as a consequence of their participation in a criminal procedure. The measures considered include psychological, medical and/or economic assistance; and police custody, relocation and/or change of identity.

### **3.10. FEDERAL LAW AGAINST CORRUPTION IN GOVERNMENT CONTRACTING**

The Federal Law Against Corruption in Government Contracting (*Ley Federal Anticorrupción en Contrataciones Públicas*) was published on June 11, 2012. The Law is consistent with the general international trends to focus more attention in the corruption-money laundering crimes. It seeks, among other, to establish clear responsibilities and sanctions to natural and legal persons that act wrongfully during governmental contracting.

### **3.11. REGULATIONS OF THE ORGANIC LAW OF THE OFFICE OF THE ATTORNEY GENERAL**

The Regulations of the Organic Law of the Office of the Attorney General (*Reglamento de la Ley Orgánica de la Procuraduría General de la República*) was published in the Federal Official Gazette on July 23, 2012. The Regulations include the creation of several new units within the Deputy Attorney's Office Against Organized Crime (SIEDO).

### **3.12. BILL OF A FEDERAL LAW FOR THE PREVENTION AND IDENTIFICATION OF TRANSACTIONS WITH CRIMINAL PROCEEDS (RELATED TO DNFbps, AMONG OTHER)**

The Bill of a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds (*Iniciativa de Ley Federal para la Prevención e Identificación de Operaciones con Recursos de Procedencia Ilícita*) was presented by the Federal Executive to Congress on August 26, 2010. The Bill was then approved by the Senate on April 28, 2011, and more recently by the Chamber of Deputies on April 30, 2012. The Bill approved by the Chamber of Deputies included some changes (that do not alter the essence of the original project) and was therefore sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary period of the Senate begins on September 1, 2012, and may extend until December 31 of the same year.

The Bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to practice an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the Financial Intelligence Unit ("FIU"), and (ii) restricting the use of cash in certain transactions.

The aforementioned catalog includes the activities of all DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20:

- Gambling and lotteries;
- Issuance and distribution by non-financial entities of credit, services or prepaid cards;
- Issuance and distribution by non-financial entities of traveler checks;
- Granting or offering by non-financial entities of loans or credits on a professional basis;
- Provision of construction, development or commercialization of real estate;
- Commercialization of precious stones and metals, watches and jewelry;
- Auction and commercialization of artwork;
- Distribution and commercialization of all types of new and used vehicles (land, water, air);
- Provision of armoring services;
- Transportation of cash and securities;
- Legal services for certain transactions;
- Accounting services for certain transactions;
- Notary public services for certain transactions;
- Customs brokers services for certain transactions;
- Establishment of private property rights, and
- Reception of donations by non-profit organizations.

The restrictions to the use of cash apply to the following transactions:

- The acquisition of real estate for an amount equal to or in excess of approximately 40 000 USD;
- The acquisition of tickets for gambling or lotteries, shares, vehicles of all types (land, water, air), artwork, watches, jewelry, precious stones or metals for an amount equal to or in excess of approximately 16 000 USD, and
- The hiring of armoring services and the establishment of private property rights in excess to the equivalent of approximately 16 000 USD.

**3.13. BILL OF DECREE BY WHICH SEVERAL CRIMINAL AND FINANCIAL LAWS ARE AMENDED**  
*(RELATED TO THE CRIMINALIZATION OF MONEY LAUNDERING, AMONG OTHER)*

The Bill of Decree by which several criminal and financial laws are amended was presented by the Federal Executive to Congress on August 26, 2010. The Bill, currently under analysis and discussion at the Senate seeks, among other, the following: (i) modifying the current criminalization of ML in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.

**3.14. BILL OF DECREE BY WHICH THE FEDERAL CRIMINAL CODE AND THE FEDERAL CRIMINAL PROCEDURES CODE ARE AMENDED**  
*(RELATED TO THE CRIMINALIZATION OF LEGAL PERSONS AND CONSPIRACY, AMONG OTHER)*

The Bill of Decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended was presented by the Federal Executive to Congress on April 14, 2011. The Bill, currently under analysis and discussion at the Senate seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal organization.

**3.15. BILL OF DECREE BY WHICH THE FEDERAL CRIMINAL CODE AND THE FEDERAL CRIMINAL PROCEDURES CODE ARE AMENDED**  
*(RELATED TO THE CRIMINALIZATION OF LEGAL PERSONS, AMONG OTHER)*

The Bill of Decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended was presented within the Chamber of Deputies on September 6, 2011. The Bill, currently under analysis and discussion at the Chamber of Deputies seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the Bill to which we made reference in paragraph 3.12.

**3.16. BILL OF DECREE BY WHICH THE FEDERAL CRIMINAL CODE, THE FEDERAL CRIMINAL PROCEDURES CODE AND THE FEDERAL LAW AGAINST ORGANIZED CRIME ARE AMENDED**  
*(RELATED TO THE CRIMINALIZATION OF TERRORISM AND TERRORISM FINANCING, AMONG OTHER)*

The Bill of Decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Organized Crime was presented within the Senate on April 24, 2012. The Bill, currently under analysis and discussion at the Senate seeks, among other, to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with the international standards.

### 3.17. AML/CFT REGULATIONS ISSUED BY SHCP

The applicable laws to all financial institutions establish that the SHCP is authorized to issue AML/CFT regulations for their sectors. Consequently, over the past years, the SHCP has issued and amended an important number of AML/CFT regulations, mostly focused in updating prevention obligations against ML/FT:

- General Provisions applicable to banking institutions: issued on April 20, 2009, and amended on June 16, 2010, September 9, 2010, December 20, 2010, and August 12, 2011.
- General Provisions applicable to foreign exchange houses: issued on September 25, 2009, and amended on September 9, 2010, and December 20, 2010.
- General Provisions applicable to foreign exchange centers: issued on September 25, 2009, and amended on April 10, 2012.
- General Provisions applicable to money remitters: issued on December 17, 2009 and amended on April 10, 2012.
- General Provisions applicable to securities brokerage firms: issued on September 9, 2010, and amended on December 20, 2010.
- General Provisions applicable to limited purpose finance companies (also known as “SOFOLLES”): issued on March 17, 2011.
- General Provisions applicable to regulated and unregulated multiple purpose finance companies (also known as “SOFOMES”): issued on March 17, 2011, and amended on December 23, 2011.
- General Provisions applicable to auxiliary credit organizations: issued on May 31, 2011.
- General Provisions applicable to insurance companies: issued on July 19, 2012.
- General Provisions applicable to bonding companies: issued on July 19, 2012.

These new or amended AML/CFT regulations cover many of the MER’s observations, including the following:

- The obligation of reporting entities to send to the FIU reports on terrorism and the financing of terrorism.
- The obligation of reporting entities to send to the FIU reports on international transfers.



- The strengthening of criteria for identifying, verifying, knowing and monitoring clients and occasional customers.
- The obligation to identify beneficial ownership.
- The incorporation of guidelines to improve the quality of reports sent by reporting entities.
- The incorporation of guidelines that allow for learning more about commercial relations in operations made through the reporting entities.
- The strengthening of due diligence obligations for operations in which there is suspicion as to the reliability of documents being provided by clients or occasional customers (i.e. false or altered documents).
- The incorporation of stricter identification obligations for recently constituted companies.
- The authorization to banking institutions for sharing information related to possible ML/FT cases among them.
- The incorporation of the faculty of competent authorities to designate high-risk jurisdictions to be treated as such by the financial sector.

Here it is important to highlight that the abovementioned AML/CFT regulations are applicable to financial entities that represent more than 85% of the assets within the Mexican financial system. The only AML/CFT regulations pending to be updated after 2008, are those applicable to investment companies, retirement funds management companies, and loans and savings companies, for which the SHCP has elaborated projects which are soon to be issued. We will keep the FATF informed of any new AML/CFT regulations that may be issued in the next few months.

Additionally, we would like to provide more detail on two specific amendments to AML/CFT regulations, provided the importance and impact that they have:

- **Restrictions to transactions involving U.S. dollars in cash**

Mexican authorities identified that during 2007 and 2008 approximately 14 billion U.S. dollars in cash were introduced into the Mexican financial system. In order to obtain clear information on the origin of these amounts, Mexican and other foreign authorities made a joint study which concluded that 7 to 10 billion U.S. dollars in cash entering the Mexican financial system could be identified with a legal origin, whereas for the other amounts of U.S. dollars in cash there was not enough certainty as to their legal or illegal origin. In consequence, the GOM determined to establish restrictions to U.S. dollars in cash deposits and other transactions. The restrictions were established in June and September of 2010, through amendments to the AML/CFT regulations applicable to banking institutions, foreign exchange houses and securities brokerage firms.

After approximately two years have passed since the implementation of these restrictions, they have proven to be highly successful. The amount of U.S. dollars in cash entering the Mexican financial system in 2011 was of approximately 4.7 billion U.S. dollars, which represents a reduction of more

than 60% when compared to the U.S. dollars in cash entering the country's financial system before the restrictions entered into effect. Additionally, it is important to highlight that these restrictions have not affected the capacity of financial entities to satisfy the demand of U.S dollars in cash from legal sectors of the country's economy.

- **Low-risk accounts that do not conflict with AML/CFT regulations**

During the past years, one of the country's most important financial policies has been to promote a larger access of its population to basic banking services, which brings a more integrated economy, but also a better AML/CFT supervision. This policy has been in accordance with the international efforts for financial inclusion.

In this context, the GOM has identified the need for the existence of low-risk banking accounts and other financial products that can be opened or accessed with fewer burdens, but also without conflicting with AML/CFT regulations. Hence, the GOM has catalogued all types of accounts available in the country within a classification of four levels of ML/FT risk, which will determine the need to carry either enhanced or simplified CDD measures.

This new approach was introduced through amendments to the General Provisions applicable to banking institutions and SOFOMES, on August 12 and December 23 of 2011, respectively.

### **3.18. LIST OF PROMINENT GOVERNMENT POSITIONS THAT ARE CONSIDERED DOMESTIC PEPS**

Another example of the GOM's efforts to prevent and combat money laundering in accordance with international standards (including the recently approved new FATF 40 Recommendations and the U.N. Convention Against Corruption) is the issuance of its list of prominent government positions that are considered domestic politically exposed persons (PEPs). The list identifies the most relevant positions within the executive, legislative and judicial powers at national, state and municipal levels; as well as the candidates to president, governors, majors, members to national and local congresses, and members of political parties, among other.

The list, which was made public on November 30, 2011, must be considered by all reporting entities during their identification and due diligence of clients and occasional customers. In this sense, Mexico directs special attention to the link between the crimes of corruption and money laundering.

## **4. A SOLID AML/CFT INSTITUTIONAL FRAMEWORK**

The GOM understands that apart from having a comprehensive set of legislation, it is crucial to have a solid institutional framework. In this sense, the GOM has directed substantial human and material resources for developing organized, professional and coordinated AML/CFT agencies that are capable of delivering effective and tangible results in accordance with applicable legislation. Among these agencies, we would like to highlight the work done by the SHCP, the PGR, the Secretariat of Public Security, the Federal Police, the Tax Revenue Service (SAT), the Service of Administration and Sale of Assets, and the financial supervisory bodies. Additionally, we would like to describe in further detail the work done by some specific offices:

#### 4.1. FINANCIAL INTELLIGENCE UNIT

Since 2008 the FIU has adopted a diverse range of measures to fully comply with the recommended actions of the MER and improve its performance. Among other measures, we would like to highlight the following:

- Strengthening of the technical and operational capacity of the FIU
  - New criteria has been established for the selection, hiring and evaluation of public servants at the FIU, for assuring all of them have the necessary levels of expertise and reliability. The new criteria includes specialized-knowledge exams and psychological, socio-economic, polygraph and drug tests.
  - An IT and Communications Strategic Plan has been developed, allowing for a more efficient and secure reception, analysis and dissemination of financial intelligence information.
  - The FIU has made all the necessary to guarantee the reception of reports from financial entities on a systematic basis and through electronic means.
- Strengthening of the coordination of the FIU with other relevant authorities, through the execution of agreements for the exchange of information with the PGR, the SAT and the National Immigration Institute.
- Increase of the feedback provided to reporting entities, which has enabled them to improve their monitoring and the quality of their reports.
  - The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement in the reporting of different sectors.
  - The FIU has elaborated individual feedback reports for specific entities and more general reports for different sectors with regards to the quality of their reporting.
  - The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared with financial entities for their own analysis of operations.
- Development of strategic studies
  - The FIU has developed several studies for understanding better the reception and flow of U.S. dollars in cash within Mexico; as well as other strategic studies.

- The FIU has developed a “digital map” that allows measuring the vulnerability to money laundering of the country’s states and municipalities, taking into account a diverse range of indicators. The map has allowed for a better prioritization in the FIU’s analysis of reports.
- The FIU is currently developing a national risk assessment that comprehends all the financial sectors, DNFBPs and other risky businesses and professions. The project is intended to provide a complete diagnose that allows measuring the vulnerability to money laundering of specific types of clients, operations, products and services.

## 4.2. FINANCIAL SUPERVISORY BODIES

The CNBV, the CNSF and the National Retirement Savings System Commission (CONSAR), are the country’s financial supervisory bodies.

- The financial supervisory bodies, together with the FIU, make constant efforts in order to provide a comprehensive, consistent and current set of AML/CFT regulations for all financial entities. For that purpose, the above-mentioned authorities have formed a specific group to analyze and decide on the reforms that must be included to the existing AML/CFT regulations. Within this group, the authorities also agree on general terms applicable to all financial sectors, such as the issuance of guidance that provides reporting entities with more elements to prepare and send relevant and complete information in their reports, the risk classification of clients and occasional customers, and the dissemination of lists of terrorists.
- The CNBV has strived to execute a more timely and efficient supervision, focusing in the following actions:
  - Strengthening its AML/CFT supervision area, through the creation of a Vice-presidency to lead it (second level of importance within the organization), and an increase in the number of personnel within said area.
  - Developing supervision instruments following a risk-based approach.
- The CNSF has executed inspections to several insurance and bonding institutions, including the eight largest entities of this sort in the country, with the purpose of verifying their level of compliance with AML/CFT regulations.
- The CONSAR has focused on a risk-based approach, and is training its personnel and executing its supervision accordingly.

### 4.3. OFFICE OF THE ATTORNEY GENERAL

The Federal Expenditure Budget for 2012 has included a significant increase in resources for PGR. Additionally, the Regulations of the Organic Law of the Office of the Attorney General were published in the Federal Official Gazette on July 23, 2012, including the creation of several new units for the Deputy Attorney's Office Against Organized Crime (SIEDO), the relevant AML/CFT area within the PGR.

The PGR has also increased its investigative techniques, through two administrative decrees:

- Administrative Decree A/056/11 published in the Federal Official Gazette on July 14, 2011, and which allows for the intervention of telephone conversations under certain cases (including ML/FT), as well as the possibility for federal prosecutors to request competent authorities for relevant information, such as telephone numbers and their registered users.
- Administrative Decree A/016/11 published in the Federal Official Gazette on March 11, 2011, and which grants the Deputy Attorney for the Investigation of Organized Crime with the faculty to authorize undercover operations for investigations on organized crime.

### 4.4. NATIONAL COUNCIL OF PUBLIC SECURITY

The National Council of Public Security agreed in its 30th session celebrated on June 30, 2011, to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the National Council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Navy and Public Security, as well as the Federal Attorney General; the Governors of the country's states; the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.

In consistency with the above, the National Council also formed a working group integrated by three Governors, a representative from the SHCP, the Secretariat of Public Education, the Secretariat of Health, as well as from the PGR and the National Council for the Prevention and Control of Addictions, with the following responsibilities:

- Coordinate the process of implementation of the Assets and Economic Intelligence Units to be created in each of the country's states; these units will integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states in their implementation).
- Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.

- Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.

## 5. CONCLUSION

**As we have pointed out in this summary, the GOM has taken many relevant actions for preventing and combating ML/FT in accordance with the observations included in the country's MER and the FATF Recommendations. These actions have allowed the GOM to fully comply with many of the country's MER observations and, pending the passing of legislation by Congress, to fully comply with most other additional ones. In order to provide a better understanding of the scope of these actions, please note that they address approximately 90% of the MER observations.**

**In this context, the GOM is clear in its intentions and its message to the international community in that it seeks to be among those countries that are at the forefront of the international fight against ML/FT.**

August 2012

## ANNEX 3

## LIST OF ACRONYMS AND THIRD FOLLOW UP REPORT BY MEXICO

ACRONYM	MEANING	ENGLISH TRANSLATION
ABM	Asociación de Bancos de México	Mexican Banking Association
AGA	Administración General de Aduanas	Customs Administration Office
CANDESTEI	Comité Especializado de Alto Nivel en Materia de Desarme, Terrorismo y Seguridad Nacional	High-Level Committee on Disarmament, Terrorism and National Security
CFPP	Código Federal de Procedimientos Penales	Federal Criminal Procedure Code
CNBV	Comisión Nacional Bancaria y de Valores	National Banking and Securities Commission
CNSF	Comisión Nacional de Seguros y Fianzas	National Insurance and Bonding Commission
CONSAR	Comisión Nacional del Sistema de Ahorro para el Retiro	National Retirement Savings System Commission
CPF	Código Penal Federal	Federal Criminal Code
DCG	Disposiciones de Carácter General	General Provisions
DOF	Diario Oficial de la Federación	Federal Official Gazette
INAMI	Instituto Nacional de Migración	National Immigration Institute
LGOAAC	Ley General de Organizaciones y Actividades Auxiliares de Crédito	General Law of Auxiliary Credit Organizations and Activities
PGR	Procuraduría General de la República	Office of the Attorney General
SAT	Servicio de Administración Tributaria	Tax Administration System
SCT	Secretaría de Comunicaciones y Transportes	Secretariat of Communications and Transportation
SEDENA	Secretaría de la Defensa Nacional	Secretariat of National Defense

ACRONYM	MEANING	ENGLISH TRANSLATION
SEMAR	Secretaría de Marina	Secretariat of the Navy
SHCP	Secretaría de Hacienda y Crédito Público	Secretariat of Finance and Public Credit
SOFOLLES	Sociedades Financieras de Objeto Limitado	Limited Purpose Financial Institutions
SOFOMES	Sociedades Financieras de Objeto Múltiple	Multiple Purpose Financial Institutions
SRE	Secretaría de Relaciones Exteriores	Secretariat of Foreign Affairs
SSP	Secretaría de Seguridad Pública	Secretariat of Public Security
UBD	Unidad de Banca de Desarrollo	Development Banking Unit
UBVA	Unidad de Banca Valores y Ahorro	Banking Securities and Savings Unit
UIPE	Unidades de Inteligencia Patrimonial y Económica	Asset and Economic Intelligence Units
USPSS	Unidad de Seguros Pensiones y Seguridad Social	Insurance Pensions and Social Security Unit



## THIRD FOLLOW-UP REPORT SUBMITTED BY MEXICO TO THE FATF

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
<b>Core Recommendations<sup>3</sup> rated PC/NC</b>			
R1 (PC)	<i>R1-B1 ML offense does not cover the “concealment or disguise of the true nature, source, location, disposition, movement, or ownership of or rights with respect to property” nor the “possession or use of property without a specific purpose”</i>	<p>As we shall describe in further detail later in this report, the Federal Executive developed the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, which was made public on August 26, 2010.</p> <p>As part of the national strategy, on the same date it was made public, the Federal Executive also presented to Congress a series of legislation projects, including a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, to modify the current criminalization of money laundering in order to make it fully consistent with international standards, in the terms described in the left column.</p>	<p>The previously reported bill of decree by which several criminal and financial laws are amended and which seeks to modify the current criminalization of money laundering in order to make it fully consistent with international standards, is under discussion and analysis at the Congress.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	<i>R1-B2 ML offence is not being effectively</i>	The government of Mexico ( <b>GOM</b> ) has provided significant human and material resources for the	The previously reported bill for a Federal Law for the Prevention and Identification of Transactions

<sup>3</sup> FATF Core Recommendations are R1, R5, R10, R13, SRII and SRIV

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>implemented, insufficient focus on ML investigations committed through the financial system, and underutilization of financial intelligence reports from the FIU sector.</i></p>	<p>prevention and combating of ML/FT. In particular, the GOM has taken seriously the specific observations included in the left column.</p> <p>In order to provide a more effective implementation in the fight against the ML/FT offenses, the GOM has taken several actions:</p> <p><b>1. National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing</b></p> <p>The national strategy was made public by the Federal Executive on August 26, 2010.</p> <p>The strategy is conceived with two main goals: (i) preventing criminal organizations from making use of their proceeds, and (ii) prosecuting highly relevant cases of ML/FT in a timely and effective manner.</p> <p>To achieve these goals, the national strategy focuses on four main areas: (a) information and organization, (b) regulatory framework, (c) risk-based supervision and effective procedures, and (d) transparency and accountability.</p> <p><b>2. Legislation projects</b></p> <p>As part of the national strategy, on the same date it was made public, the Federal Executive also</p>	<p>with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of the Senate begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p>A bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill to which we made reference before in section 2.2. of the middle column.</p> <p>The PGR has created a Financial Analysis Unit through Administrative Decree A/049/12, published on March 2, 2012. The new unit (under implementation) will be integrated by financial specialists who shall be responsible for the following: (i) analyzing the requests for prosecution and intelligence reports that the FIU sends to the PGR, as well as other relevant information obtained from other sources, and (ii) issuing specialized opinions and reports on financial and accounting matters, requested by</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>presented to Congress a series of legislation projects:</p> <p><b>2.1. Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds</b></p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the Financial Intelligence Unit (<b>FIU</b>), and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of designated non-financial businesses and professions (<b>DNFBPs</b>) set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its</p>	<p>federal prosecutors.</p> <p>The FIU celebrated a protocol with the Unit of Investigations of Electoral Crimes (<b>FEPADE</b>) of the PGR, on January 12, 2012.</p> <p>The FIU and several offices of the PGR: Deputy Attorney's Office Against Organized Crime (<b>SIEDO</b>), Unit Against Crimes of Violence Towards Women and Human Trafficking (<b>FEVIMTRA</b>) and FEPADE, have held periodic meetings on specific cases during 2012.</p> <p>As in 2011, during 2012, 100% of the FIU's requests for prosecution have been admitted for pre-trial investigations and assigned to federal prosecutors. Additionally, the intelligence reports are being used intensively for open and new investigations. The above shows clearly that law enforcement authorities values the information and documentation provided by the FIU.</p> <p>With regards to the observation that the GOM has placed "... insufficient focus on ML investigations committed through the financial system", it is relevant to provide the following information on the number of requests for prosecution, intelligence reports and reports on specific financial information, elaborated or gathered by the FIU and sent to the PGR. This data shows a deep commitment of the GOM to conduct money</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012																																				
		<p>discussion and, if applicable, approval.</p> <p><b>2.2. Bill of Decree by which several criminal and financial laws are amended</b></p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.</p> <p>It is currently under analysis and discussion at the Senate.</p> <p><b>3. Criminalization of legal persons for ML/FT</b></p> <p>The Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to</p>	<p>laundering investigations of transactions made through the Mexican financial system.</p> <p><b>1. Requests for prosecution</b></p> <table border="1" data-bbox="1462 533 2011 692"> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>38</td> </tr> <tr> <td>2009</td> <td>43</td> </tr> <tr> <td>2010</td> <td>52</td> </tr> <tr> <td>2011</td> <td>39</td> </tr> <tr> <td>2012 (1st quarter)</td> <td>8</td> </tr> </tbody> </table> <p><b>2. Intelligence reports</b></p> <table border="1" data-bbox="1462 788 2033 948"> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>116</td> </tr> <tr> <td>2009</td> <td>207</td> </tr> <tr> <td>2010</td> <td>70</td> </tr> <tr> <td>2011</td> <td>88</td> </tr> <tr> <td>2012 (1st quarter)</td> <td>33</td> </tr> </tbody> </table> <p><b>3. Reports on specific financial information requested by PGR</b></p> <table border="1" data-bbox="1462 1075 2033 1235"> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>292</td> </tr> <tr> <td>2009</td> <td>377</td> </tr> <tr> <td>2010</td> <td>510</td> </tr> <tr> <td>2011</td> <td>1,305</td> </tr> <tr> <td>2012 (1st quarter)</td> <td>303</td> </tr> </tbody> </table> <p><i>We consider that even if several of the actions we've reported are in an on-going process, we have provided several elements to conclude that</i></p>	Year	Number	2008	38	2009	43	2010	52	2011	39	2012 (1st quarter)	8	Year	Number	2008	116	2009	207	2010	70	2011	88	2012 (1st quarter)	33	Year	Number	2008	292	2009	377	2010	510	2011	1,305	2012 (1st quarter)	303
Year	Number																																						
2008	38																																						
2009	43																																						
2010	52																																						
2011	39																																						
2012 (1st quarter)	8																																						
Year	Number																																						
2008	116																																						
2009	207																																						
2010	70																																						
2011	88																																						
2012 (1st quarter)	33																																						
Year	Number																																						
2008	292																																						
2009	377																																						
2010	510																																						
2011	1,305																																						
2012 (1st quarter)	303																																						

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal organization.</p> <p>The bill is currently under analysis and discussion at the Senate.</p> <p><b>4. <u>Improvement in the coordination among AML/CFT agencies</u></b></p> <p>Since 2009, several laws and regulations have entered into effect in order to precise the faculties of the Federal Police and the General Attorney's Office (<b>PGR</b>) in the prevention and combating of ML/FT. Among these new legislations, are the following: the Federal Police Law (published on June 1, 2009), the Regulations of the Federal Police Law (published on May 17, 2010), and the Internal Law of the PGR (published on May 29, 2010).</p> <p>Additionally, protocols have been arranged for a better coordination of the FIU with the PGR, the Tax Revenue Service (<b>SAT</b>) and the National Immigration Institute (<b>INAMI</b>). These protocols establish in detail which are the procedures and tools each of these agencies can or must employ on ML/FT investigations and cases.</p>	<p><i>the prevention and combating of money laundering is a top priority for the GOM and it is being combated intensively; therefore, that we have complied with the observations included in the left column.</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Also, the General Law of the National System of Public Security, which was published on January 2, 2009, establishes that the National System of Public Security is integrated by the National Council of Public Security, several national and local councils, and the Executive Secretary of the System.</p> <p>Within the National System, it is relevant to highlight the existence of the National Council of Secretariats of Public Security and the National Council of Justice, which have the objective of coordinating the work of local and national security authorities.</p> <p>With regards to the National Council of Public Security, it is also relevant to mention that during its 30th session celebrated on June 30, 2011, it agreed to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the national council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Marine and Public Security, as well as the Federal Attorney General; the Governors of the country's states, the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.</p>	

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>In consequence, the national council formed a working group integrated by three Governors, a representative from the Secretariats of Finance and Public Credit, Public Education, Health, as well as from the PGR and the National Council for the Prevention and Control of Addictions, with the following responsibilities:</p> <p>(i) Coordinate the process of implementation of the Assets Intelligence Units to be created in each of the country's states; these units will integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states in their implementation).</p> <p>(ii) Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.</p> <p>(iii) Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.</p> <p>Also relevant is the fact that the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, to which we've made reference before, establishes the possibility to form multi-agency specialized groups to combat ML/FT cases.</p>	

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>With regards to the observation that there is an “...underutilization of financial intelligence reports from the FIU sector” it is relevant to mention that during 2011, 100% of the FIU’s requests for prosecution have been admitted for pre-trial investigations and assigned to federal prosecutors. Additionally, the intelligence reports are being used intensively for open and new investigations. The above shows clearly that law enforcement authorities values the information and documentation provided by the FIU.</p>	
<p><b>R5 (PC)</b></p>	<p><i>R5-B1 No CDD (AML/CFT) regulations and supervision as yet for unregulated SOFOMES</i></p>	<p>As part of a comprehensive reform of AML/CFT regulations applicable to each financial sector, the Secretariat of Finance and Public Credit (<b>SHCP</b>) issued AML/CFT General Provisions applicable to regulated and unregulated multiple purpose financial institutions (<b>SOFOMES</b>) on March 17, 2011.</p> <p>These general provisions require all SOFOMES to have solid AML/CFT regimes, in almost identical terms to AML/CFT regulations issued previously for other financial sectors (including on CDD obligations).</p> <p>As for the supervision of unregulated SOFOMES, a decree was published on August 3, 2011, amending the General Law of Auxiliary Credit Organizations and Activities (<b>LGOAAC</b>), to establish that the SAT should transfer to the</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of unregulated SOFOMES, currency exchange centers and money remitters.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these</p>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>National Banking and Securities Commission (<b>CNBV</b>) its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p>	<p>entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports (<b>STRs</b>), currency transactions reports (<b>CTRs</b>) and reports on suspicious conducts of their directors or employees, (Reports of Employees) were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>Since the implementation of the new layout for unregulated SOFOMES came into effect, this financial sector has systematically delivered to the FIU through an automated electronic platform</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>with a total of 6,817 CTRs and 400 STRs, as of August 20, 2012.</p> <p><b><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></b></p>
	<p><i>R5-B2 Inadequate implementation of CDD requirements esp. oversight requirements imposed on insurance companies for business conducted through agents.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to banking institutions: issued on April 20, 2009, and amended on June 16, 2010, September 9, 2010, and August 12, 2011.</li> <li>• General Provisions applicable to currency exchange houses: issued on September 25, 2009, and amended on September 9, 2010, and December 20, 2010.</li> <li>• General Provisions to currency exchange centers: issued on September 25, 2009, and amended on April 10, 2012.</li> <li>• General Provisions applicable to money remitters: issued on December 17, 2009 and amended on April 10, 2012.</li> <li>• General Provisions applicable to securities brokerage firms: issued on September 9, 2010, and amended on December 20, 2010.</li> <li>• General Provisions applicable to limited purpose finance companies (SOFOLLES): issued on March 17, 2011.</li> <li>• General Provisions applicable to regulated and</li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors; with the particularity that they include the obligation of their agents to have comprehensive CDD requirements and for the insurance and bonding companies to exercise strict control over them.</p> <p><b><i>Relevant provisions:</i></b></p> <ul style="list-style-type: none"> <li>• <b><i>Insurance companies, provisions: 4, 7 and 10.</i></b></li> <li>• <b><i>Bonding companies, provisions: 4, 6 and 10.</i></b></li> </ul> <p><b><i>Provided what has been reported, we consider</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>unregulated SOFOMES: issued on March 17, 2011, and amended on December 23, 2011.</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to auxiliary credit organizations: issued on May 31, 2011.</li> </ul> <p>These AML/CFT regulations include comprehensive and detailed CDD requirements, in terms of FATF Recommendation 5.</p> <p>Their implementation has been guided through different efforts of the FIU and the financial supervisory bodies: the CNBV, the National Insurance and Bonding Commission (<b>CNSE</b>) and the National Retirement Savings System Commission (<b>CONSAR</b>) (all together, the <b>Financial Supervisory Bodies</b>). Examples of these guiding efforts include: guidelines, periodic feedback meetings and reports on the reporting quality of specific entities.</p> <p>For the specific case of insurance companies and their agents, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to these financial entities, which include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p>	<p><i>we have fully complied with the observations included in the left column.</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li>• <i>Banking institutions, provisions: 4, 10, 11 and 16.</i></li> <li>• <i>Currency exchange houses, provisions: 4, 8, and 10.</i></li> <li>• <i>Currency exchange centers, provisions: 4 and 7.</i></li> <li>• <i>Money remitters, provisions: 4 and 7.</i></li> <li>• <i>Securities brokerage firms, provisions: 4, 9, 10 and 15.</i></li> <li>• <i>SOFULES, provisions: 4, 14 and 15.</i></li> <li>• <i>SOFOMES, provisions: 4 and 14.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 4 and 12.</i></li> </ul>	
	<p><i>R5-B3</i>  <i>Need to qualify the use of numbered and coded accounts in accordance with c5.1.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The AML/CFT regulations applicable to banking institutions, currency exchange houses, currency exchange centers, money remitters, securities brokerage firms, insurance and bonding companies, establish a prohibition for these financial entities to open anonymous accounts.</p> <p>As for the AML/CFT regulations applicable to SOFOMES, SOFOLES and auxiliary credit organizations, there is an obligation to open accounts only after their client has been fully identified.</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Banking institutions, provisions: 4, 10, 11 and 16.</i></li> <li>• <i>Currency exchange houses, provisions: 4, 8 and 10.</i></li> <li>• <i>Currency exchange centers, provisions: 4 and 7.</i></li> <li>• <i>Money remitters, provisions: 4 and 7.</i></li> <li>• <i>Securities brokerage firms, provisions: 4, 9, 10 and 15.</i></li> <li>• <i>SOFOLLES, provisions: 4, 14 and 15.</i></li> <li>• <i>SOFOMES, provisions: 4 and 14.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 4 and 12.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 7 and 10.</i></li> <li>• <i>Bonding companies, provisions: 4, 6 and 10.</i></li> </ul> <p><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></p>
	<p><i>R5-B4</i>  <i>Significant legal and capacity deficiencies in implementing CDD requirements for centros cambiarios and money remitters.</i></p>	<p>AML/CFT General Provisions applicable to currency exchange centers and money remitters were published on September 25, 2009, and December 17, 2009, respectively, establishing stricter CDD requirements for those reporting entities.</p> <p>As for the supervision of currency exchange centers and money remitters, a decree was published on August 3, 2011, amending the LGOAAC, to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction both types of entities (as well as unregulated SOFOMES) on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of currency exchange centers and money remitters (as well as unregulated SOFOMES).</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Currency exchange centers, provisions: 4 and 11.</b></li> <li>• <b>Money remitters, provisions: 4 and 12.</b></li> </ul>	<p>operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>For further information regarding the list of the registered currency exchange centers and money</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>remitters, please refer to the website of the CNBV:</p> <p><a href="http://www.cnbv.gob.mx/prevenciondelavadododineroregistrocctd/paginas/registro.aspx">http://www.cnbv.gob.mx/prevenciondelavadododineroregistrocctd/paginas/registro.aspx</a></p> <p><b><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></b></p>
	<p><i>R5-B5</i></p> <p><i>Inadequate CDD threshold (USD 10 000) for business relationships for casas de cambio and insurance companies.</i></p>	<p>AML/CFT General Provisions applicable to currency exchange houses were published on September 25, 2009. These new AML/CFT regulations established stricter thresholds for the identification of clients and occasional customers:</p> <ul style="list-style-type: none"> <li>In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or occasional customer is a legal person, the following information must be collected: company name, nationality, address, federal tax identification number, and information of its legal representative.</li> <li>In business relationships involving \$3,000-\$5,000 U.S. dollars, apart from the</li> </ul>	<p>AML/CFT General Provisions applicable to insurance companies and their agents were published on July 19, 2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>In particular, these regulations establish the obligation of insurance companies to identify and verify the identity of all clients carrying out transactions with them. Within the concept of “clients” we include those who contract or are insured by an insurance policy.</p> <p>The regulations also incorporate simplified measures that allow insurance companies to complete their verification of the identification of clients once the business relationship has been established, for the specific cases of life insurances with annual payments under \$2,500 U.S. dollars</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</p> <ul style="list-style-type: none"> <li>In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons: profession or business, telephone number, email, national identification number, SAT electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</li> </ul> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li><b>Currency exchange houses, provision: 4.</b></li> </ul>	<p>and pension insurances derived from social security legislation, and as long as the relevant insurance institutions:</p> <ul style="list-style-type: none"> <li>Implement criteria and procedures to determine which operations can be considered of low-risk.</li> <li>Implement systems that allow them to identify and monitor transactions that are not consistent with the expected transactional characteristics, and report them if applicable.</li> <li>Evaluate during the last quarter of each year, through their Committee of Control and Communication or Compliance Officer, if the abovementioned measures are adequate.</li> <li>Establish identification requirements for transactions that are not executed in person, equivalent to those demanded for transactions executed in person.</li> </ul> <p>In this sense, the AML/CFT regulations applicable to insurance companies are consistent with criteria 5.9 and 5.14 of FATF Recommendation 5, which allow financial institutions to complete the verification of the identification of their clients after establishing a business relationship, as long as: (i) the completion takes place on a reasonable timeframe, (ii) the measure is essential for not interrupting the normal business of the relevant financial entity, and (iii) the money laundering risks are managed effectively.</p>



TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p><i>Relevant provisions:</i></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 6 and 8.</i></li> </ul> <p><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></p>
	<p><i>R5-B6</i>  <i>No distinction in all cases between CDD requirements for business relationships and all types of occasional transactions, including a direct requirement for to aggregating linked occasional transactions.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to banking institutions, securities brokerage firms, SOFOLES and SOFOMES, establish the obligation of these financial entities to distinguish between CDD requirements for transactions performed by clients and occasional customers.</p> <p>Additionally, the aforementioned AML/CFT regulations establish that the relevant financial entities must have systems that allow for the grouping of contracts or transactions carried out by a same client or occasional user, within a consolidated database.</p> <p>Furthermore, AML/CFT regulations applicable to currency exchange houses, currency exchange centers and money remitters establish the obligation of these financial entities to integrate a</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>complete file of their clients and occasional customers, in accordance to the amounts involved in the relevant transactions:</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or occasional customer is a legal person, the following information must be collected: company name, nationality, address, federal tax identification number, and information of its legal representative.</li> <li>• In business relationships involving \$3,000-\$5,000 U.S. dollars, apart from the information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</li> <li>• In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons:</li> </ul>	<p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 4 and 15.</b></li> <li>• <b>Bonding companies, provisions: 4 and 16.</b></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>profession or business, telephone number, email, national identification number, SAT electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</p> <p>Considering these new thresholds, we consider our AML/CFT regulations are in compliance with FATF's recommendations for CDD (c.5.2 c) and SR.VII, which establish a threshold of \$1,000 U.S. dollars for wire transfers.</p> <p>Finally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 16 and 17.</b></li> <li>• <b>Currency exchange houses, provisions: 4 and</b></li> </ul>	

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p><b>10.</b></p> <ul style="list-style-type: none"> <li>• <i>Currency exchange centers, provision: 4.</i></li> <li>• <i>Money remitters, provision: 4.</i></li> <li>• <i>Securities brokerage firms, provisions: 4, 14 and 15.</i></li> <li>• <i>SOFOLLES, provisions: 4 and 14.</i></li> <li>• <i>SOFOMES, provisions: 4 and 14.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 4 and 12.</i></li> </ul>	
	<p><i>R5-B7</i>  <i>No explicit requirement to conduct CDD in all cases where there is suspicion of ML/FT or doubt about the adequacy of customer information.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include the obligation of the relevant financial entities to conduct CDD in all cases where there is suspicion of ML/FT or doubt about the adequacy of customer information.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Banking institutions, provisions: 4, 11, 16,</i></li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p><i>17, 21 and 38.</i></p> <ul style="list-style-type: none"> <li>• <i>Currency exchange houses, provisions: 4, 10, 14 and 29.</i></li> <li>• <i>Currency exchange centers, provisions: 4, 11 and 25.</i></li> <li>• <i>Money remitters, provisions: 4, 12 and 27.</i></li> <li>• <i>Securities brokerage firms, provisions: 4, 10, 15, 19 and 39.</i></li> <li>• <i>SOFOLLES, provisions: 4, 14, 15, 18 and 33.</i></li> <li>• <i>SOFOMES, provisions: 4, 14, 17 and 30.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 4, 12, 14 and 26.</i></li> </ul>	<p>financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 7, 19 and 29.</i></li> <li>• <i>Bonding companies, provisions: 4, 6, 20 and 30,</i></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p><i>R5-B8</i>  <i>Inadequate provisions in all the regulations with respect to CDD requirements when there are indications and/or certainty of false, erased or altered identification documents.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>include the obligation of the relevant financial entities to establish stricter CDD requirements when there are indications and/or certainties as to false, erased or altered identification documents. In such cases, another identification document should be requested and, if no other identification is available, two bank or business references and two personal references (to be verified with respect to their authenticity) should be demanded.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them. Currency exchange businesses</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 21 and 31.</b></li> <li>• <b>Currency exchange houses, provisions: 4, 14 and 22.</b></li> <li>• <b>Currency exchange centers, provisions: 4, 12 and 20.</b></li> <li>• <b>Money remitters, provisions: 4, 12 and 20.</b></li> <li>• <b>Securities brokerage firms, provisions: 4, 19 and 29.</b></li> </ul>	<ul style="list-style-type: none"> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li>• <i>SOFOLIS, provisions: 4, 18 and 26.</i></li> <li>• <i>SOFOMES, provisions: 4, 17 and 25.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 4, 14 and 22.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 19, and 24.</i></li> <li>• <i>Bonding companies, provisions: 4, 20, and 25.</i></li> </ul> <p><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></p>
	<p><i>R5-B9</i>  <i>Weak identification verification requirements for non-beneficiary insurance policyholders.</i></p>	<p>The SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation for establishing solid identification verification requirements for non-beneficiary insurance policyholders.</p>	<p>AML/CFT General Provisions applicable to insurance companies and their agents were published on July 19, 2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors.</p> <p>In particular, these regulations establish the obligation of insurance companies to identify and verify the identity of all clients carrying out transactions with them. Within the concept of “clients” we include those who contract or are insured by an insurance policy.</p> <p>The regulations also incorporate simplified measures that allow insurance companies to complete their verification of the identification of clients once the business relationship has been established, for the specific cases of life insurances with annual payments under \$2,500 U.S. dollars and pension insurances derived from social</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>security legislation, and as long as the relevant insurance institutions:</p> <ul style="list-style-type: none"> <li>• Implement criteria and procedures to determine which operations can be considered of low-risk.</li> <li>• Implement systems that allow them to identify and monitor transactions that are not consistent with the expected transactional characteristics, and report them if applicable.</li> <li>• Evaluate during the last quarter of each year, through their Committee of Control and Communication or Compliance Officer, if the abovementioned measures are adequate.</li> <li>• Establish identification requirements for transactions that are not executed in person, equivalent to those demanded for transactions executed in person.</li> </ul> <p>In this sense, the AML/CFT regulations applicable to insurance companies are consistent with criteria 5.9 and 5.14 of FATF Recommendation 5, which allow financial institutions to complete the verification of the identification of their clients after establishing a business relationship, as long as: (i) the completion takes place on a reasonable timeframe, (ii) the measure is essential for not interrupting the normal business of the relevant financial entity, and (iii) the money laundering risks are managed effectively.</p>



TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p><i>Relevant provisions:</i></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 6 and 8.</i></li> </ul> <p><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></p>
	<p><i>R5-B10</i>  <i>Insufficient requirements in the 2004 regulations for the identification of foreign beneficiaries.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include strict requirements for the identification of final beneficiaries; whether international or domestic (there is no distinction).</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 2, 4, and 11.</b></li> <li>• <b>Currency exchange houses, provisions: 2 and 4.</b></li> <li>• <b>Currency exchange centers, provisions: 2 and 4.</b></li> <li>• <b>Money remitters, provisions: 2 and 4.</b></li> <li>• <b>Securities Brokerage Firms, provisions: 2, 4, and 10.</b></li> <li>• <b>SOFOLAS, provisions: 2, 4, and 11.</b></li> <li>• <b>SOFOMES, provisions: 2, 4, and 11.</b></li> <li>• <b>Auxiliary credit organizations, provisions: 2, 4, and 10.</b></li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>In particular, AML/CFT regulations applicable to insurance companies establish the obligation of these entities to identify and verify the identity of all clients carrying out transactions with them. Within the concept of “clients” we include those who contract or are insured by an insurance policy.</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>Additionally, the AML/CFT regulations applicable to insurance companies incorporate simplified measures that allow insurance companies to complete their verification of the identification of clients once the business relationship has been established, for the specific cases of life insurances with annual payments under \$2,500 U.S. dollars and pension insurances derived from social security legislation, and as long as the relevant insurance institutions:</p> <ul style="list-style-type: none"> <li>• Implement criteria and procedures to determine which operations can be considered of low-risk.</li> <li>• Implement systems that allow them to identify and monitor transactions that are not consistent with the expected transactional characteristics, and report them if applicable.</li> <li>• Evaluate during the last quarter of each year, through their Committee of Control and Communication or Compliance Officer, if the abovementioned measures are adequate.</li> <li>• Establish identification requirements for transactions that are not executed in person, equivalent to those demanded for transactions executed in person.</li> </ul> <p>In this sense, the AML/CFT regulations applicable to insurance companies are consistent with criteria 5.9 and 5.14 of FATF Recommendation 5, which allow financial institutions to complete the</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>verification of the identification of their clients after establishing a business relationship, as long as: (i) the completion takes place on a reasonable timeframe, (ii) the measure is essential for not interrupting the normal business of the relevant financial entity, and (iii) the money laundering risks are managed effectively.</p> <p>As an additional measure, the verification of the identification of beneficiaries is carried out once again before the deliverance of funds related to any insurance.</p> <p>Another relevant matter is that the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 2, 4 and 7.</b></li> <li>• <b>Bonding companies, provisions: 2, 4 and 6.</b></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p><b>R5-B11</b>  <i>No direct explicit requirement for FIs to ascertain/request that applicants for business to state whether they are acting on behalf of others.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include the obligation of relevant financial entities to ascertain/request that their clients disclose if they are acting on behalf of third parties.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 4</b></li> <li>• <b>Currency exchange houses, provision: 4</b></li> <li>• <b>Currency exchange centers, provision: 4</b></li> <li>• <b>Money remitters, provision: 4</b></li> <li>• <b>Securities brokerage firms, provision: 4.</b></li> <li>• <b>SOFOLLES, provision: 4.</b></li> <li>• <b>SOFOMES, provision: 4.</b></li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li><i>Auxiliary credit organizations, provision: 4.</i></li> </ul>	<p>CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li><i>Insurance companies, provision: 4.</i></li> <li><i>Bonding companies, provision: 4.</i></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p><i>R5-B12</i>  <i>No general requirement for obtaining information on the purpose and nature of business relationships.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>include the obligation of relevant financial entities to obtain information on the purpose and nature of business relationships; for the case of high-risk clients the information is obtained through questionnaires.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 24, 25, 28 and 55.</b></li> <li>• <b>Currency exchange houses, provisions: 4, 17, 18, 21 and 27 and 46.</b></li> <li>• <b>Currency exchange centers, provisions: 4, 14, 15 and 18 and 42.</b></li> <li>• <b>Money remitters, provisions: 4, 15, 16, 19 and 44.</b></li> <li>• <b>Securities brokerage firms, provisions: 4, 22, 23 and 26 and 56</b></li> <li>• <b>SOFOLLES, provisions: 4, 21, 22, 25 and 50.</b></li> <li>• <b>SOFOMES, provisions: 4, 20, 21, 24 and 47.</b></li> <li>• <b>Auxiliary credit organizations, provisions: 4, 17, 18 and 21 and 43.</b></li> </ul>	<ul style="list-style-type: none"> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p><i>Relevant provisions:</i></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4, 16, 17, 18, 19, 20 and 45.</i></li> <li>• <i>Bonding companies, provisions: 4, 16, 17, 18, 19, 21 and 46.</i></li> </ul> <p><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></p>
	<p><i>R5-B13</i>  <i>Insufficient justification and guidelines for risk-based CDD, including with respect to simplified CDD for customers listed in the Annex of the regulations.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish that simplified CDD procedures can only be authorized for specific types of clients listed in their respective Annex "A". These listed clients are all financial entities that require of a government authorization to operate and are adequately regulated and supervised by financial authorities. Furthermore, these clients are all catalogued as being of low-risk.</p> <p>Additionally, it is important to highlight that simplified CDD procedures still require for reporting entities to request for substantive information and documentation for integrating complete client folios.</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Also relevant is the fact that the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4 and 14 and 25, 38 and 40.</b></li> <li>• <b>Currency exchange houses, provisions: 4 and 18, 29 and 31.</b></li> <li>• <b>Currency exchange centers, provisions: 4 and 15, 25 and 27.</b></li> <li>• <b>Money remitters, provisions: 4 and 16, 27 and 29.</b></li> <li>• <b>Securities brokerage firms, provisions: 4 and 23, 39 and 41.</b></li> <li>• <b>SOFOLAS, provisions: 4 and 22, 33 and 35.</b></li> <li>• <b>SOFOMES, provisions: 4 and 21, 30 and 32.</b></li> <li>• <b>Auxiliary credit organizations, provisions: 4 and 18, 26 and 28.</b></li> </ul>	<p>amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 4, 17, 18, 19, 21, 30 and 31.</b></li> <li>• <b>Bonding companies, provisions: 4, 16, 17, 18, 20, 29 and 30.</b></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p><i>R5-B14</i>  <i>No risk mitigating controls for deferment of identification verification, including with respect to newly-formed companies.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance</li> </ul>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>All the aforementioned AML/CFT regulations establish the obligation of financial entities to identify their clients and occasional customers before executing any type of transaction. When financial institutions identify a newly formed company is still not registered at the corresponding public registry, they must request from the legal representatives a written declaration stating that they shall continue with the registration of the company in any relevant public registry and inform of such event once it is executed.</p> <p>Also relevant is the fact that the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 4.</b></li> <li>• <b>Currency exchange houses, provision: 4.</b></li> <li>• <b>Currency exchange centers, provision: 4.</b></li> <li>• <b>Money remitters, provision: 4.</b></li> <li>• <b>Securities brokerage firms, provision: 4.</b></li> <li>• <b>SOFOLLES, provision: 4</b></li> </ul>	<p>companies and their agents: issued on July 19, 2012.</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li>• <i>SOFOMES, provision: 4.</i></li> <li>• <i>Auxiliary credit organizations, provision: 4.</i></li> </ul>	<p>centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provision: 4.</i></li> <li>• <i>Bonding companies, provision: 4.</i></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p>R5-B15 <i>Provisions to defer verification of identification of customers associated with insurance policies are too broad.</i></p>	<p>The SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p>	<p>AML/CFT General Provisions applicable to insurance companies and their agents were published on July 19, 2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors.</p> <p>In particular, these regulations establish the obligation of insurance companies to identify and verify the identity of all clients carrying out transactions with them. Within the concept of “clients” we include those who contract or are insured by an insurance policy.</p> <p>The regulations also incorporate simplified measures that allow insurance companies to complete their verification of the identification of clients once the business relationship has been established, for the specific cases of life insurances</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<p>with annual payments under \$2,500 U.S. dollars and pension insurances derived from social security legislation, and as long as the relevant insurance institutions:</p> <ul style="list-style-type: none"> <li>• Implement criteria and procedures to determine which operations can be considered of low-risk.</li> <li>• Implement systems that allow them to identify and monitor transactions that are not consistent with the expected transactional characteristics, and report them if applicable.</li> <li>• Evaluate during the last quarter of each year, through their Committee of Control and Communication or Compliance Officer, if the abovementioned measures are adequate.</li> <li>• Establish identification requirements for transactions that are not executed in person, equivalent to those demanded for transactions executed in person.</li> </ul> <p>In this sense, the AML/CFT regulations applicable to insurance companies are consistent with criteria 5.9 and 5.14 of FATF Recommendation 5, which allow financial institutions to complete the verification of the identification of their clients after establishing a business relationship, as long as: (i) the completion takes place on a reasonable timeframe, (ii) the measure is essential for not interrupting the normal business of the relevant financial entity, and (iii) the money laundering</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>R5-B16</i>  <i>No explicit provision to refuse to open an account (e.g. when identification documentation/verification is inadequate or cannot be completed) and to terminate existing business relationships when CDD cannot be completed and file a STR.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish the obligation of financial entities to refuse to open accounts or terminate existing relationships when CDD procedures cannot be completed. In this sense, no account can be opened or transaction executed when the identification process is incomplete.</p> <p>Additionally, in case the client or occasional user refuses to provide the corresponding identification information or documentation, or when the documents are suspected of being false, financial institutions have to file a STR.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to</p>	<p>risks are managed effectively.</p> <p>As an additional measure, the verification of the identification of beneficiaries is carried out once again before the deliverance of funds related to any insurance.</p> <p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
		<p>exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4 and 38.</b></li> <li>• <b>Currency exchange houses, provisions: 4 and 29.</b></li> <li>• <b>Currency exchange centers, provisions: 4 and 25.</b></li> <li>• <b>Money remitters, provisions: 4 and 27.</b></li> <li>• <b>Securities brokerage firms, provisions: 4 and 39.</b></li> <li>• <b>SOFOLLES, provisions: 4 and 33.</b></li> <li>• <b>SOFOMES, provisions: 4 and 30.</b></li> <li>• <b>Auxiliary credit organizations, provisions: 4 and 26.</b></li> </ul>	<p>Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 4 and 29.</b></li> <li>• <b>Bonding companies, provisions: 4 and 30.</b></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
<b>R13 (PC)</b>	<p><b>R13-B1</b>  <i>The reports filed by some sectors are not being transmitted to the FIU, nor utilized in any form (Bonding companies and the registered money transmitters and currency exchanges).</i></p>	<p>The reports of all financial entities are transmitted systematically to the FIU. These reports are used in many ways: for the investigation of specific cases, for strategic studies, etc.</p>	<p>As reported previously, the reports filed by all reporting entities are systematically delivered to the FIU through an automated electronic platform. As an example, we provide relevant information on the filings made since 2008 by bonding companies, currency exchange centers and money remitters:</p> <p><b>1. Bonding companies</b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012																																																																											
			<table border="1" data-bbox="1458 373 2051 587"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Reports of Employees</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>6</td> <td>4</td> <td>0</td> </tr> <tr> <td>2009</td> <td>3</td> <td>9</td> <td>0</td> </tr> <tr> <td>2010</td> <td>3</td> <td>23</td> <td>1</td> </tr> <tr> <td>2011</td> <td>6</td> <td>3</td> <td>0</td> </tr> <tr> <td>2012 (2nd quarter)</td> <td>2</td> <td>89</td> <td>0</td> </tr> </tbody> </table> <p data-bbox="1458 619 1821 651"><b>2. Currency exchange centers</b></p> <table border="1" data-bbox="1458 676 2051 890"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Reports of Employees</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>20,903</td> <td>854</td> <td>9</td> </tr> <tr> <td>2009</td> <td>143,993</td> <td>5,821</td> <td>296</td> </tr> <tr> <td>2010</td> <td>99,522</td> <td>8,312</td> <td>169</td> </tr> <tr> <td>2011</td> <td>38,174</td> <td>1,723</td> <td>380</td> </tr> <tr> <td>2012(2nd quarter)</td> <td>3,517</td> <td>167</td> <td>10</td> </tr> </tbody> </table> <p data-bbox="1458 922 1704 954"><b>3. Money remitters:</b></p> <table border="1" data-bbox="1458 979 2051 1193"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Reports of Employees</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>30,160</td> <td>59,818</td> <td>5</td> </tr> <tr> <td>2009</td> <td>81,487</td> <td>30,797</td> <td>4</td> </tr> <tr> <td>2010</td> <td>76,598</td> <td>29,618</td> <td>28</td> </tr> <tr> <td>2011</td> <td>39,760</td> <td>29,396</td> <td>0</td> </tr> <tr> <td>2012 (2nd quarter)</td> <td>8,445</td> <td>14,500</td> <td>0</td> </tr> </tbody> </table> <p data-bbox="1458 1225 2051 1350">Here it is relevant to highlight that the decrease in the amount of reports received by the FIU from currency exchange centers and money remitters during 2010 to 2011, is the result of an</p>				Year	CTRs	STRs	Reports of Employees	2008	6	4	0	2009	3	9	0	2010	3	23	1	2011	6	3	0	2012 (2nd quarter)	2	89	0	Year	CTRs	STRs	Reports of Employees	2008	20,903	854	9	2009	143,993	5,821	296	2010	99,522	8,312	169	2011	38,174	1,723	380	2012(2nd quarter)	3,517	167	10	Year	CTRs	STRs	Reports of Employees	2008	30,160	59,818	5	2009	81,487	30,797	4	2010	76,598	29,618	28	2011	39,760	29,396	0	2012 (2nd quarter)	8,445	14,500	0
Year	CTRs	STRs	Reports of Employees																																																																											
2008	6	4	0																																																																											
2009	3	9	0																																																																											
2010	3	23	1																																																																											
2011	6	3	0																																																																											
2012 (2nd quarter)	2	89	0																																																																											
Year	CTRs	STRs	Reports of Employees																																																																											
2008	20,903	854	9																																																																											
2009	143,993	5,821	296																																																																											
2010	99,522	8,312	169																																																																											
2011	38,174	1,723	380																																																																											
2012(2nd quarter)	3,517	167	10																																																																											
Year	CTRs	STRs	Reports of Employees																																																																											
2008	30,160	59,818	5																																																																											
2009	81,487	30,797	4																																																																											
2010	76,598	29,618	28																																																																											
2011	39,760	29,396	0																																																																											
2012 (2nd quarter)	8,445	14,500	0																																																																											

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<p>improvement in the monitoring and reporting of financial entities, influenced among other by feedback efforts of the FIU and the Financial Supervisory Bodies.</p> <p>Additionally, for the case of currency exchange centers, a decrease in the reports it sent in those years can also be attributed to an important reduction of suspicious transactions made with U.S. dollars in cash, after the entering into effect of AML/CFT regulations to restrict the deposit of U.S. dollars in cash within the Mexican financial system.</p> <p>Furthermore, the decrease in the amount of reports received by the FIU from currency exchange centers and money remitters during 2012, is the result of amendments to the LGOAAC which established the obligation of both types of entities to cover several additional requirements in order to operate, which provoked a substantial reduction in the existing amount of these entities.</p> <p>All these reports are included in the database of the FIU and are available for financial intelligence investigations that can lead to requests for prosecution or intelligence reports.</p> <p>Also relevant is the fact that a new official layout (with instructions) to be used by currency exchange centers and money remitters in their</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>filing of STRs, CTRs and Reports of Employees were published on June 8, 2012. This new layout seeks to improve the quality of reporting of the abovementioned entities.</p> <p><b><i>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</i></b></p>
	<p><i>R13-B2</i>  <i>There is no clear obligation to report the suspicion of the financing of international acts of terrorism (only of terrorist acts committed locally).</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish the obligation of financial entities to report the suspicion of terrorist financing as high priority (whether international or domestic; there is no distinction) through STRs and on less than 24 hours after identified.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b><i>Relevant provisions:</i></b></p> <ul style="list-style-type: none"> <li>• <b><i>Banking institutions, provisions: 1 and 41.</i></b></li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li>• <i>Currency exchange houses, provisions: 1 and 32.</i></li> <li>• <i>Currency exchange centers, provisions: 1 and 28.</i></li> <li>• <i>Money remitters, provisions: 1 and 30.</i></li> <li>• <i>Securities brokerage firms, provisions: 1 and 42.</i></li> <li>• <i>SOFOLLES, provisions: 1 and 36.</i></li> <li>• <i>SOFOMES, provisions: 1 and 33.</i></li> <li>• <i>Auxiliary credit organizations, provisions: 1 and 29.</i></li> </ul>	<p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>Relevant provisions:</p> <ul style="list-style-type: none"> <li>• Insurance companies, provisions: 1 and 31.</li> <li>• Bonding companies, provisions: 1 and 32.</li> </ul> <p>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</p>
	<p><i>R13-B3</i>  <i>Excessively broad definition of suspicion in the regulations generates defensive reporting, and the guidance issued to address this issue is not legally adequate to limit the scope of said regulations.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>Those AML/CFT regulations applicable to banking institutions, currency exchange houses, currency exchange centers, money remitters, securities</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19,</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>brokerage firms, SOFOLES, SOFOMES and auxiliary credit organizations, establish specific indicators for determining objectively if a transaction should be reported as suspicious through an STR.</p> <p>Additionally, for further guidance, in 2009 the FIU and SAT issued guidelines for the filing of reports by currency exchange centers and money remitters.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 38.</b></li> <li>• <b>Currency exchange houses, provision: 29.</b></li> <li>• <b>Currency exchange centers, provision: 25.</b></li> <li>• <b>Money remitters, provision: 27.</b></li> <li>• <b>Securities brokerage firms, provision: 19.</b></li> <li>• <b>SOFOLES, provision: 33.</b></li> <li>• <b>SOFOMES, provision: 30.</b></li> <li>• <b>Auxiliary credit organizations, provision: 38.</b></li> </ul>	<p>2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the FIU, together with CNSF and CONSAR, are working with the relevant sectors to develop guidelines for the filing of reports by insurance companies and retirement funds administration companies. These new guidelines are expected to be issued during 2012. Also, authorities have made substantial efforts to provide feedback to financial entities on their reporting. As examples, the FIU and the Financial Supervisory Bodies have provided training to different sectors and have met periodically with their associations; and the FIU has elaborated reports focused in determined sectors or in specific entities.</p> <p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</li> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provision: 29.</i></li> <li>• <i>Bonding companies, provision: 30.</i></li> </ul> <p><b>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</b></p>
	<p><i>R13-B4</i>  <i>The obligation to report attempted transactions is not explicitly established in regulations, and not consistently implemented by financial institutions.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations explicitly establish the obligation of financial entities to report attempted transactions.</p> <p>Additionally, in 2009 the FIU and SAT issued guidelines for the filing of reports by currency exchange centers and money remitters.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p>Relevant provisions:</p> <ul style="list-style-type: none"> <li>• Banking institutions, provisions: 2, 38 and 41.</li> <li>• Currency exchange houses, provisions: 2, 29 and 32.</li> <li>• Currency exchange centers, provisions: 2, 25 and 28.</li> <li>• Money remitters, provisions: 2, 27 and 30.</li> <li>• Securities brokerage firms, provisions: 2, 39 and 42.</li> <li>• SOFOLES, provisions: 2, 33 and 36.</li> <li>• SOFOMES, provisions: 2, 30 and 33.</li> <li>• Auxiliary credit organizations, provisions: 2, 26 and 29.</li> </ul>	<p>SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>In a related matter, the FIU, together with CNSF and CONSAR, are working with the relevant sectors to develop guidelines for the filing of reports by insurance companies and retirement funds administration companies. These new guidelines are expected to be issued during 2012.</p> <p>Also, the authorities have made substantial efforts to provide feedback to financial entities on their reporting. As examples, the FIU and the Financial</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>Supervisory Bodies have provided training to different sectors and have met periodically with their associations; and the FIU has elaborated reports focused in determined sectors or in specific entities.</p> <p>Relevant provisions:</p> <ul style="list-style-type: none"> <li>• Insurance companies, provisions: 2, 29 and 31.</li> <li>• Bonding companies, provisions: 2, 30 and 32.</li> </ul> <p>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</p>
<b>SRII (PC)</b>	<p><i>SRII-B1</i>  <i>The TF offense is not fully consistent with Article 2 of the TF Convention. It only focuses on what is used for the act (and not on the intentions of the act) and it requires a showing (rather than a purpose) that the act generated alarm, fear, or terror to a population.</i></p>	<p>The GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.</p>	<p>A bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>The next ordinary session period of the Senate begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b>This bill covers all the observations included in the left column.</b></p>
	<p><i>SRII-B2</i>  <i>While the TF offence covers the financing of</i></p>	<p>The GOM created a multi-agency group, with the main objective of elaborating the necessary</p>	<p>A bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
	<i>a significant number of terrorist acts, it does not extend to the financing of the acts that constitute an offense within the scope of, and as defined in the treaties listed in the annex of the TF Convention.</i>	legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.	<p>the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>The next ordinary session period of the Senate begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	<i>SR11-B3 No TF investigations to date and therefore cannot conclude that the measures are effective.</i>		<p>The Center for Research and National Security (<b>CISEN</b>) carried out three terrorist financing investigations during 2010 and 2011. Some of these investigations were conducted among Mexican and other foreign authorities.</p> <p>Additionally, the FIU has shared spontaneous reports involving possible terrorist financing cases with other foreign financial intelligence units.</p>
<b>SRIV (PC)</b>	<i>SRIV-B4 No clear obligation to report suspicions of financing of international acts of terrorism (only of terrorist acts committed locally).</i>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish the obligation of financial entities to report the suspicion of terrorist financing</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19,</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>(whether international or domestic; there is no distinction) through STRs and on less than 24 hours after identified.</p> <p>Furthermore, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p>Relevant provisions:</p> <ul style="list-style-type: none"> <li>• Banking institutions, provisions: 1 and 41.</li> <li>• Currency exchange houses, provisions: 1 and 32.</li> <li>• Currency exchange centers, provisions: 1 and 28.</li> <li>• Money remitters, provisions: 1 and 30.</li> <li>• Securities brokerage firms, provisions: 1 and 42.</li> <li>• SOFOLES, provisions: 1 and 36.</li> <li>• SOFOMES, provisions: 1 and 33.</li> <li>• Auxiliary credit organizations, provisions: 1 and 29.</li> </ul>	<p>2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and reports on suspicious conducts of their directors or employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>Relevant provisions:</p>



<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<ul style="list-style-type: none"> <li>• Insurance companies, provisions: 1 and 31.</li> <li>• Bonding companies, provisions: 1 and 32.</li> </ul> <p>Provided what has been reported, we consider we have fully complied with the observations included in the left column.</p>
<b>Key Recommendations<sup>1F4</sup> rated PC/NC</b>			
<b>R23 (PC)</b>	<p><i>R23-B1</i>  <i>Insufficient supervision, largely due to inadequate budgetary and human resources, of the unregulated foreign exchange centres and money remittance sector.</i></p>	<p>AML/CFT General Provisions applicable to currency exchange centers and money remitters were published on September 25, 2009, and December 17, 2009, respectively, establishing stricter CDD requirements for those reporting entities.</p> <p>As for the supervision of currency exchange centers and money remitters, a decree was published on August 3, 2011, amending the LGOAAC, to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction both types of entities (as well as unregulated SOFOMES) on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises,</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of currency exchange centers and money remitters (as well as unregulated SOFOMES).</p> <p>For carrying out this new responsibility, the CNBV has increased its budget and human resources. The CNBV has created an AML/CFT Vice-presidency (second level within the organization), which has two General Directors, one of them specifically focused on the supervision of currency exchange centers, money remitters and unregulated SOFOMES. Furthermore, the number of employees in the AML/CFT area has increased substantially: in January 2008 there were 41 employees, whereas in February 2012 there were 104 employees. This means there has been an increase of 154% in the number of employees for the relevant area within the CNBV since the MER</p>

<sup>4</sup> FATF Key Recommendations are R3, R4, R23, R26, R35, R36, R40, SRI, SRIII and SRV

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>LGOOAC, articles: 81, 81-A and 81-A-Bis.</b></li> </ul>	<p>was executed.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p><i>R23-B2</i>                      No AML/CFT regulation and supervision for unlicensed SOFOMES.</p>	<p>AML/CFT General Provisions applicable to regulated and unregulated SOFOMES were published on March 17, 2011.</p> <p>These general provisions require all SOFOMES to have solid AML/CFT regimes, in almost identical terms to AML/CFT regulations issued previously for other financial sectors (including on CDD obligations).</p> <p>As for the supervision of unregulated SOFOMES, a decree was published on August 3, 2011, amending the LGOAAC, to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of unregulated SOFOMES (as well as of currency exchange centers and money remitters).</p> <p>For carrying out this new responsibility, the CNBV has adequate budgetary and human resources. The CNBV has created an AML/CFT Vice-presidency (second level within the organization), which has two General Directors, one of them specifically focused on the supervision of unregulated SOFOMES, currency exchange centers and money remitters. Furthermore, the number of employees in the AML/CFT area has increased substantially: in January 2008 there were 41 employees, whereas in February 2012 there were 104 employees. This means there has been an increase of 154% in the number of employees for the relevant area within the CNBV since the MER</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>LGOAAC, article: 87-B.</b></li> </ul>	<p>was executed.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>Provided what has been reported, we consider the observations included in the left column have been fully executed.</p>
	<p><i>R23-B3</i>  <i>Inadequate oversight mechanisms for intermediaries (channels of distribution) in the insurance and bonding sectors, and on cash acceptance practices.</i></p>	<p>The GOM has made important efforts to provide better oversight mechanisms for intermediaries in the insurance and bonding sectors, and on cash acceptance practices.</p> <p>In parallel, the CNSF has inspected several insurance and bonding companies, as well as the relevant agents, in order to verify their level of compliance with the currently existing AML/CFT regulations applicable to these companies.</p> <p>As for cash acceptance practices, AML/CFT General Provisions applicable to banking institutions were amended on June 16, 2010, with the purpose of (i) establishing limits in the amounts of U.S. dollars in cash that banking institutions can accept from clients or occasional customers through deposits or other transactions, and (ii) establishing the obligation of banking</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations expressly address the observations included in the left column, in the terms reported previously.</p> <p>With regards to the restrictions of U.S. dollars in cash established within the AML/CFT General Provisions applicable to banking institutions, currency exchange houses and securities brokerage firms, also reported before, there have</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>institutions to report transactions involving U.S. dollars in cash that exceed pre-determined limits established in the regulations.</p> <p>More recently, the AML/CFT General Provisions applicable to currency exchange houses and securities brokerage firms were also modified on September 9, 2010, in almost identical terms to those mentioned above.</p> <p>Furthermore, the layouts for the reports of U.S. dollars in cash to which we've made reference, were published on October 25 and 28, 2010; and revised versions were later published on March 21, 2011.</p> <p>Here, it is important to note that the restrictions to U.S. dollars in cash were a policy decision derived from a comprehensive process of investigation between Mexican and U.S. authorities that concluded there was a substantial amount of U.S. dollars in cash entering the Mexican financial system, for which there was not a clear origin.</p>	<p>been highly successful results after approximately two years from their implementation.</p> <p>Indeed, as of December 2011, the amounts of U.S. dollars in cash entering the Mexican financial system have decreased in more than 60% when compared to the amounts entering the country's financial system before the restrictions entered into effect. Additionally, it is important to highlight that these restrictions have not affected the capacity of financial entities to satisfy the demand of U.S. dollars in cash from legal sectors of the country's economy.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 27.</b></li> <li>• <b>Bonding companies, provision: 28.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p><i>R23-B4</i> <i>Insufficient use of offsite supervisory capacity for planning and conducting onsite inspections, consistent with the risk-based provisions in the regulations and prudential supervision.</i></p>	<p>The GOM has continued to make important efforts in order to provide sufficient use of off-site supervisory capacity for planning and conducting onsite inspections.</p> <p>The CNBV has worked intensively with the International Monetary Fund (IMF), through a</p>	<p>As reported previously, the CNBV initiated several administrative procedures against one of the largest banking institutions with operations in Mexico. This process ended during June 2012, when the relevant bank paid a sanction of approximately \$27 U.S. million dollars, the largest sanction that has been ever determined/paid for</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>technical assistance program, in developing a new supervision methodology for the prevention of ML/FT with a risk-based approach, which was finalized during March 2011.</p> <p>This new methodology will allow for better planned and targeted onsite inspections, based on a more comprehensive understanding of the relevant financial sectors and the characteristics of each particular entity.</p> <p>The methodology will include a diagnosis of the relevant entities, focused on their background, their corporate structure and governance, their business and products, as well as their types of clients, among other; providing for the determination of different ML/FT risk levels.</p> <p>The CNBV has also elaborated new criteria for establishing sanctions to its supervised entities. This new criteria includes an increase in the amounts of the fines to be established, according to the level of gravity of the acts being sanctioned.</p> <p>As a result of the first inspections under these new criteria, the CNBV has initiated several administrative procedures against one of the largest banking institutions in Mexico. Additionally, the CNBV has revoked its authorization granted to two currency exchange houses. Also, there are other sanctions in</p>	<p>non-compliance of AML/CFT regulations.</p> <p>Provided what has been reported, we consider the observations included in the left column have been fully executed.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>R23-B5 Insufficient cross-border supervision including through the use of supervisory MOUs.</i>	<p>progress.</p> <p>The GOM has made important efforts in order to strengthen its cross-border supervision.</p> <p>In particular, in order to enhance the cooperation among the AML/CFT supervisors of Mexico and other countries, the CNBV has held meetings with several national and international relevant counterparts with the purpose of seeking a more fluid and efficient information exchange that allows for coordinated actions in the supervisory area.</p> <p>In addition, during inspection visits performed by the CNBV, there has been a more thorough follow up and oversight of the transactions carried out with resources sent to foreign countries, settled primarily with high risk monetary instruments and when the origin is not fully identified.</p>	<b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed</i></b>
<b>SRI (PC)</b>	<i>SRI-B1 The Terrorist Financing Convention has not been fully implemented.</i>	The GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.	<p>A bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>The next ordinary session period, in which these bills could be discussed and possibly accepted by Congress, begins on September 1, 2012, and may</p>



TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			extend until December 31 of the same year.  <b><i>This bill covers all the observations included in the left column.</i></b>
	<i>SRI-B2 United Nations Security Council Resolutions relating to the prevention and suppression of FT are not being fully implemented.</i>	Please see the comments to <b><i>SRI-B1</i></b> .	Please see the comments to <b><i>SRI-B1</i></b> .  <b><i>This bill covers all the observations included in the left column</i></b>
<b>SRIII (NC)</b>	<i>SRIII-B1 There are no effective laws and procedures to freeze terrorist funds or other assets of persons designated by the United Nations Al-Qaida and Taliban Sanctions Committee in accordance with S/RES/1267(1999) without delay and without prior notice to the designated persons involved.</i>	Please see the comments to <b><i>SRI-B1</i></b> .	Please see the comments to <b><i>SRI-B1</i></b> .
	<i>SRIII-B2 There are no effective laws and procedures to freeze terrorist funds or other assets of persons designated in the context of S/RES/1373(2001) without delay and without prior notice to the designated persons involved.</i>	Please see the comments to <b><i>SRI-B1</i></b> .	Please see the comments to <b><i>SRI-B1</i></b> .
	<i>SRIII-B3 There are no effective laws and procedures to examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other jurisdictions.</i>	Please see the comments to <b><i>SRI-B1</i></b> .	Please see the comments to <b><i>SRI-B1</i></b> .
	<i>SRIII-B4 There are no measures extending freezing actions to: (a) Funds or other assets wholly</i>	Please see the comments to <b><i>SRI-B1</i></b> .	Please see the comments to <b><i>SRI-B1</i></b> .

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>or jointly owned or controlled, directly or indirectly, by designated persons, terrorists, those who finance terrorism or terrorist organizations, and; (b) Funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons, terrorists, those who finance terrorism or terrorist organizations.</i>		
	<b>SRIII-B5</b> <i>There is no effective system for communicating actions taken under the freezing mechanisms to the financial sector immediately upon taking such action.</i>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .
	<b>SRIII-B6</b> <i>No clear guidance is provided to financial institutions and other persons or entities that may be holding targeted funds or other assets concerning their obligations in taking action under freezing mechanisms.</i>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .
	<b>SRIII-B7</b> <i>There are no effective and publicly-known procedures for considering de-listing requests and for unfreezing the funds or other assets of de-listed persons or entities in a timely manner consistent with international obligations.</i>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .
	<b>SRIII-B8</b> <i>There are no effective and publicly-known procedures for unfreezing, in a timely manner, the funds or other assets of persons</i>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
	<i>or entities inadvertently affected by a freezing mechanism upon verification that the person or entity is not a designated person.</i>		
	<p><i>SRIII-B9</i>                      There are no appropriate procedures for authorizing access to funds or other assets that were frozen pursuant to S/RES/1267(1999) and that have been determined to be necessary for basic expenses, the payment of certain types of fees, expenses and service charges or for extraordinary expenses, in accordance with S/RES/1452(2002).</p>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .
	<p><i>SRIII-B10</i>                      There are no appropriate procedures through which a person or entity whose funds or other assets have been frozen can challenge that measure with a view to having it reviewed by a court.</p>	Please see the comments to <b>SRI-B1</b> .	Please see the comments to <b>SRI-B1</b> .
<b>SRV (PC)</b>	<p><i>SRV-B1</i>                      The deficiencies in the terrorist financing offence described under SR.II impact on Mexico's ability to provide international cooperation through MLA and extraditions.</p>	<p>The GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.</p> <p>Additionally, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying</p>	<p>A bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal organization.</p> <p>The bill is currently under analysis and discussion at the Senate.</p>	<p>Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill to which we made reference previously in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>These bills cover all the observations included in the left column.</i></b></p>
	<p><i>SRV-B2 The deficiencies in the process for freezing terrorist assets described under SR.III impact on Mexico's capacity to freeze, seize, and confiscate terrorist assets at the request of a foreign country.</i></p>	<p>The GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.</p>	
	<p><i>SRV-B3 The deficiencies in the terrorist financing offence described under SR.II impact on the law enforcement authorities' ability to provide international cooperation.</i></p>	<p>The GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.</p>	<p>A bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			until December 31 of the same year.  <i><b>This bill covers all the observations included in the left column.</b></i>
<b>Other Recommendations rated PC/NC</b>			
<b>R8 (PC)</b>	<p><i>R8-B1</i>  <i>No specific requirements to implement measures to prevent misuse of technological developments.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to banking institutions, currency exchange centers, money remitters and SOFOMES establish the obligation of these financial entities to identify and create a file for each of their clients, no matter if the relevant transactions are carried out through electronic devices or other technological developments.</p> <p>Furthermore, these AML/CFT regulations establish that the identification of clients must be completed prior to conducting “operations through electronic or optical means or through any other technology”. During this identification process, a personal interview must be carried out. In this sense, it is clear that even if a service is provided remotely, the relevant financial entities must first gather and verify all the documentation that proves the identify of its clients and must meet personally with them.</p> <p>Additionally, there are financial regulations establishing security mechanisms and special</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provisions: 4 and 5.</i></li> <li>• <i>Bonding companies, provisions: 4 and 5.</i></li> </ul> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>measures regarding electronic operations as well as fraud prevention procedures.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 7, 15 and 16.</b></li> <li>• <b>Currency exchange centers, provisions: 4 and 8.</b></li> <li>• <b>Foreign exchange houses, provisions: 4, 9 and 10.</b></li> <li>• <b>Money remitters, provisions: 4 and 8.</b></li> <li>• <b>Securities brokerage firms, provisions: 4, 12, 13 and 14.</b></li> <li>• <b>SOFOLLES, provisions: 4, 7 and 14.</b></li> <li>• <b>SOFOMES, provisions: 4, 7, and 13.</b></li> <li>• <b>Auxiliary credit organizations, provisions: 4 and 6.</b></li> </ul>	
	<p><i>R8-B2</i>  <i>No specific risk mitigating CDD requirements for transactions that do not require face-to-face contact.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to banking institutions, currency exchange centers, money remitters and SOFOMES establish the obligation of these financial entities to identify and create a file for each of their clients, no matter if the relevant transactions are carried out through electronic devices and other technological developments.</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Furthermore, these AML/CFT regulations establish that the identification of clients must be completed prior to conducting “operations through electronic or optical means or through any other technology”. During this identification process, a personal interview must be carried out. In this sense, it is clear that even if a service is provided remotely, the relevant financial entities must first gather and verify all the documentation that proves the identify of its clients and must meet personally with them.</p> <p>Additionally, there are financial regulations establishing security mechanisms and special measures regarding electronic operations as well as fraud prevention procedures.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 7, 15 and 16.</b></li> <li>• <b>Currency exchange centers, provisions: 4 and 8.</b></li> <li>• <b>Money remitters, provisions: 4 and 8.</b></li> <li>• <b>SOFOMES, provisions: 4 and 7.</b></li> </ul>	<p>previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 4, 5 and 14.</b></li> <li>• <b>Bonding companies, provisions: 4, 5 and 8.</b></li> </ul>
R9 (PC)	R9-B1 Lack of a requirement for FIs to “immediately” obtain CDD information from third parties.	Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b> .	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19,</li> </ul>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>AML/CFT regulations applicable to banking institutions, currency exchange centers, money remitters and SOFOMES establish the obligation of these financial entities to identify and create a file for each of their clients, and in the cases that third parties execute the CDD, the entities are still responsible.</p> <p>Furthermore, these AML/CFT regulations establish that the identification of clients must be completed prior to conducting “operations through electronic or optical means or through any other technology”. In this sense, it is clear that even if a service is provided remotely, the relevant financial entities must first gather and verify all the documentation that supports their clients’ identity, domicile and other data.</p> <p>Additionally, there are financial regulations establishing security mechanisms and special measures regarding electronic operations as well as fraud prevention procedures.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4 and 7.</b></li> <li>• <b>Currency exchange centers, provision: 4.</b></li> <li>• <b>Money remitters, provision: 4.</b></li> <li>• <b>SOFOMES, provision: 4.</b></li> </ul>	<p>2012.</p> <ul style="list-style-type: none"> <li>• <b>General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</b></li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, the AML/CFT regulations applicable to insurance companies provide the possibility that third parties carry out operations for such companies. In such cases, the third parties must keep identification files and have the obligation to make these available to the relevant insurance company so that they are also available to the competent authorities. .</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 4,5 and 12.</b></li> <li>• <b>Bonding companies, provisions: 4 and 5.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	R9-B2	The SHCP, together with the insurance sector, are	The following new AML/CFT regulations have



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>Inadequate supervision/monitoring of insurance intermediaries for compliance with AML/CFT obligations.</i></p>	<p>working on the elaboration of new AML/CFT General Provisions applicable to insurance companies that include the obligation of their agents to have comprehensive CDD requirements and for the insurance companies to exercise strict control over them.</p> <p>In parallel, the CNSF has inspected several insurance and bonding companies, as well as the most relevant agents, in order to verify their level of compliance with the currently existing AML/CFT regulations applicable to these companies. Also, the CNSF provides its reporting entities with the corresponding feedback after onsite inspections.</p>	<p>been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations address the observations included in the left column, in the terms reported previously.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 51.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p><i>R9-B3</i> <i>Inadequate supervision/monitoring of paying agents (on whom reliance is placed) by remittance firms for compliance with AML/CFT obligations.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters issued on December 17, 2009, establish the obligation of these financial entities to identify and create a file for each of their clients, and in the cases that third parties execute the CDD, the entities are still</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S.</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>responsible for the AML/CFT regulations.</p> <p>As for the supervision of money remitters, a decree was published on August 3, 2011, amending the General Law of Auxiliary Credit Organizations and Activities LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters , currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, money remitters and currency exchange centers must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 48 and 49.</b></li> </ul>	<p>dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on</p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			June 8, 2012.  <i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i>
<b>R12 (NC)</b>	<p><i>R12-B1</i>  <i>General (for all sectors)</i>                      No AML/CFT regulations exist for any category of DNFBP, except trust services which only specified financial institutions can provide.</p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><i>This bill covers all the observations included in the left column.</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).  The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.	
	- <i>Casinos (including internet)</i>		
	- for R5		
	- for R6		
	- for R8		
	- for R9		
	- for R10		
	- for R11		
	- <i>Real estate agents</i>		
	- for R5		
	- for R6		
	- for R8		
	- for R9		
	- for R10		
	- for R11		
	- <i>Dealers in precious metals and stones</i>		
	- for R5		
	- for R6		
	- for R8		
	- for R9		
	- for R10		
	- for R11		
	- <i>Lawyers, notaries and other independent legal professions and accountants</i>		
	- for R5		
	- for R6		

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	- for R8		
	- for R9		
	- for R10		
	- for R11		
	- TCSPs		
	- for R5		
	- for R6		
	- for R8		
	- for R9		
	- for R10		
	- for R11		
<b>R16 (NC)</b>	<p><i>R16-B1</i>                      General                      No AML/CFT regulations exist for any category of DNFBP, except trust service providers which are designated financial institutions.</p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p>	
	- Casinos (including internet)		
	- for R13		
	- for R14		
	- for R15		
	- Real estate agents		
	- for R13		
	- for R14		
	- for R15		
	- Dealers in precious metals and stones		
	- for R13		
	- for R14		
	- for R15		
	- Lawyers, notaries and other independent legal professions and accountants		
	- for R13		
	- for R14		
	- for R15		
	- TCSPs		
	- for R13		

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
	- for R14 - for R15		
<b>R17 (PC)</b>	<p><i>R17-B1</i>  <i>Sanctions not sufficiently proportionate and dissuasive. On average, relatively low fines applied and insufficient use of nonmonetary sanctions.</i></p>	<p>The Financial Supervisory Bodies have taken different actions to establish sanctions that are proportionate and dissuasive.</p> <p>The CNBV has elaborated new criteria for establishing sanctions to its supervised entities. This new criteria includes an increase in the amounts of the fines to be established, according to the level of gravity of the acts being sanctioned.</p> <p>As a result of the first inspections under these new criteria, the CNBV has initiated several administrative procedures against one of the largest banking institutions in Mexico. Additionally, the CNBV has revoked its authorization granted to two currency exchange houses. Also, there are other sanctions in progress.</p> <p>The SAT, during its period as supervisor of currency exchange centers and money remitters, also elaborated new criteria for the supervision of those financial entities. The new supervision of these entities (as well as of unregulated SOFOMES) will be now responsibility of the CNBV, in terms of a decree published on August 3, 2011, amending the LGOAAC.</p> <p>The CNSF has also elaborated new criteria for</p>	<p>As reported previously, the CNBV initiated several administrative procedures against one of the largest banking institutions with operations in Mexico. This process ended during June 2012, when the relevant bank paid a sanction of approximately \$27 U.S. million dollars, the largest sanction that has been ever determined/paid for non-compliance of AML/CFT regulations.</p> <p>Additionally, in terms of the amendments to the LGOAAC also reported previously, the CNBV is now the new supervisor of unregulated SOFOMES, currency exchange centers and money remitters.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>determining its sanctions. In terms of these new criteria, the sanctions will tend to increase and be more proportionate.</p>	<p>relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
<b>R20 (PC)</b>	<p><i>R20-B1 No consideration has been given to applying the FATF recommendations to other high-risk businesses and professions.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the</p>



<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
		<p>series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p>	<p>approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	<p><i>R20-B2</i>  <i>No evidence of measures taken to encourage the development and use of modern and</i></p>		<p>As part of the efforts of the SHCP to promote financial inclusion without compromising AML/CFT regulations, it is relevant to say that the</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>secure techniques for conducting financial transactions that are less vulnerable to ML.</i>		<p>SHCP has fostered the use of new technologies and innovative models to reduce the use of cash, through AML/CFT provisions that implement simplified CDD measures for low-risk accounts in banking institutions.</p> <p>Additionally, AML/CFT General Provisions applicable to banking institutions were amended on June 16, 2010, with the purpose of (i) establishing limits in the amounts of U.S. dollars in cash that banking institutions can accept from clients or occasional customers through deposits or other transactions, and (ii) establishing the obligation of banking institutions to report transactions involving U.S. dollars in cash that exceed pre-determined limits established in the regulations. These restrictions have worked as an additional reason for an increase in the amount of the population wanting to integrate to the country's financial system.</p>
<b>R24 (NC)</b>	<p><i>R24-B1</i> <i>General</i> No AML/CFT regulations and supervisory framework exist for any category of DNFBP, except for trust service providers which are designated financial institutions.</p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p>	<p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	- Casinos (including internet)		
	- for criterion 24.1.1 re.R23		
	- for criterion 24.1.1 re.R17		
	- for criterion 24.1.2		
	- for criterion 24.1.3		
	- Real estate agents		
	- for criterion 24.4		
	- for criterion 24.2.1		
	- for criterion 24.2.1.a		
	(re.R17)		

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	- for criterion 24.2.1.b (re.R30)		
	- Dealers in precious metals and stones		
	- for criterion 24.4		
	- for criterion 24.2.1		
	-for criterion 24.2.1.a (re.R17)		
	-for criterion 24.2.1.b (re.R30)		
	- Lawyers, notaries and other independent legal professions and accountants		
	- for criterion 24.4		
	- for criterion 24.2.1		
	-for criterion 24.2.1.a (re.R17)		
	-for criterion 24.2.1.b (re.R30)		
	- TCSPs		
	- for criterion 24.4		
	- for criterion 24.2.1		
	-for criterion 24.2.1.a (re.R17)		
	-for criterion 24.2.1.b (re.R30)		
<b>R25 (NC)</b>	<p>Supervisors only R25-B1 Need for more current guidelines on new ML and FT techniques and methods including for new technologies.</p>	<p>The FIU has identified and analyzed typologies related with money laundering mechanisms within the Mexican financial system. These typologies work can be found in the FIU's website, and have been informed and explained to reporting entities so that they take them into consideration during their CDD procedures and include them in their alert systems.</p> <p>The FIU and SAT issued in 2009 a Best Practices</p>	<p>The FIU, together with CNSF and CONSAR, are working with the relevant sectors to develop guidelines for the filing of reports by insurance companies and retirement funds administration companies. These new guidelines are expected to be issued during 2012.</p> <p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Reporting Manual seeking to improve the quality of the reports being sent by currency exchange centers and money remitters.</p>	<p>the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</li> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</p> <ul style="list-style-type: none"> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> <li>• The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>Supervisors only R25-B2 Need for industry-specific guidelines on ML and FT risks in the Mexican market to support risk-based compliance.</i></p>	<p>The FIU has identified and analyzed typologies related with money laundering mechanisms within the Mexican financial system. These typologies work can be found in the FIU's website, and have been informed and explained to reporting entities so that they take them into consideration during their CDD procedures and include them in their alert systems.</p> <p>Additionally, the FIU and SAT issued in 2009 a Best Practices Reporting Manual seeking to improve the quality of the reports being sent by currency exchange centers and money remitters.</p>	<p>The FIU, together with CNSF and CONSAR, are working with the relevant sectors to develop guidelines for the filing of reports by insurance companies and retirement funds administration companies. These new guidelines are expected to be issued during 2012.</p> <p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT. This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</li> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<ul style="list-style-type: none"> <li>The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>FIU only R25-B3 The recently increased strategic analysis capability of the FIU has not yielded significant information that could be used by reporting institutions to recalibrate their preventive mechanisms, and the FIU has not published Mexico-specific typologies since 2005.</i></p>	<p>The FIU has identified and analyzed six typologies related with money laundering mechanisms within the Mexican financial system. These typologies work can be found in the FIU's website, and have been informed and explained to reporting entities so that they take them into consideration during their CDD procedures and include them in their alert systems.</p> <p>Additionally, the FIU, together with U.S. authorities, worked on a comprehensive process of investigation that concluded there was a substantial amount of U.S. dollars in cash entering the Mexican financial system, for which there was not a clear origin. This investigation consequently led to the GOM to establish restrictions to U.S. dollars in cash through amendments to AML/CFT regulations.</p> <p>Indeed, AML/CFT General Provisions applicable to banking institutions were amended on June 16, 2010, with the purpose of (i) establishing limits in</p>	<p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for</li> </ul>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>the amounts of U.S. dollars in cash that banking institutions can accept from clients or occasional customers through deposits or other transactions, and (ii) establishing the obligation of banking institutions to report transactions involving U.S. dollars in cash that exceed pre-determined limits established in the regulations.</p> <p>More recently, the AML/CFT General Provisions applicable to currency exchange houses and securities brokerage firms were also modified on September 9, 2010, in almost identical terms to those mentioned above.</p> <p>Furthermore, the layouts for the reports of U.S. dollars in cash to which we've made reference, were published on October 25 and 28, 2010; and revised versions were later published on March 21, 2011.</p> <p>The objective of the aforementioned restrictions is to reduce the flow of U.S. dollars in cash within the Mexican financial system, promoting the use of alternative methods of payment, such as wire transfers or checks. We expect that the result of these restrictions will be a reduced exposure to money laundering transactions through the country's financial system.</p>	<p>different sectors in their reporting.</p> <ul style="list-style-type: none"> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> <li>• The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p>The FIU has also continued developing strategic studies:</p> <ul style="list-style-type: none"> <li>• The FIU has developed several studies for understanding better the reception and flow of U.S. dollars in cash within Mexico. The FIU has developed a "digital map" that</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>allows measuring the vulnerability to money laundering of the country's states and municipalities, taking into account a diverse range of indicators. The map has allowed for a better prioritization in the FIU's analysis of reports.</p> <ul style="list-style-type: none"> <li>The FIU is currently developing a national risk assessment that comprehends all the financial sectors, DNFBPs and other risky businesses and professions. The project is intended to provide a complete diagnose that allows measuring the vulnerability to money laundering of specific types of clients, operations, products and services.</li> </ul> <p>With regards to the restrictions of U.S. dollars in cash established within the AML/CFT General Provisions applicable to banking institutions, currency exchange houses and securities brokerage firms, which were reported previously, there have been highly successful results after approximately two years from their implementation.</p> <p>Indeed, as of December 2011, the amounts of U.S. dollars in cash entering the Mexican financial system have decreased in more than 60% when compared to the amounts entering the country's financial system before the restrictions entered into effect. Additionally, it is important to highlight that these restrictions have not affected</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>the capacity of financial entities to satisfy the demand of U.S. dollars in cash from legal sectors of the country's economy.</p> <p>Finally, it is also relevant to mention that the FIU has participated actively within the group that was created to review and homogenize AML/CFT regulations and their guidelines. This group is also formed by the Financial Supervisory Bodies.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>FIU only R25-B4 FIU provides occasional feedback on STR quality to institutions of concern, but there is no mechanism in place to provide reporting institutions with more opportune and relevant feedback about their reports, other than an automatic acknowledgment of receipt of their STRs. The project to rate the quality of STRs still has not reached a representative sample of reports.</i></p>	<p>The FIU established a commitment with reporting entities, to meet more often and discuss general trends and patterns, as well as new typologies. The commitment also included for the FIU to provide more feedback in the quality of the reports of reporting entities.</p>	<p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</li> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> <li>• The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p>The FIU has also continued developing strategic studies:</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<ul style="list-style-type: none"> <li>• The FIU has developed several studies for understanding better the reception and flow of U.S. dollars in cash within Mexico.</li> <li>• The FIU has developed a “digital map” that allows measuring the vulnerability to money laundering of the country’s states and municipalities, taking into account a diverse range of indicators. The map has allowed for a better prioritization in the FIU’s analysis of reports.</li> <li>• The FIU is currently developing a national risk assessment that comprehends all the financial sectors, DNFBPs and other risky businesses and professions. The project is intended to provide a complete diagnose that allows measuring the vulnerability to money laundering of specific types of clients, operations, products and services.</li> </ul> <p>In addition to the analysis of transaction reports carried out to generate intelligence products to be shared with PGR, the FIU generates several risk-assessment models, studies and feedback reports to financial entities regarding the information within the reports in order to identify patterns and trends related to possible ML/FT schemes. This information is also used to detect vulnerabilities in the financial sector, and as an input for the development of regulations to strengthen the AML/CFT system. In this regards, with the development of risk-assessment models,</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>strategic studies and feedback actions on the quality of reports, during the last year the analysis has included around 60% of the total amount of reports that the FIU keeps in its databases.</p> <p>Finally, it is also relevant to mention that the FIU has participated actively within the group that was created to review and homogenize AML/CFT regulations and their guidelines. This group is also formed by the Financial Supervisory Bodies.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>DNFBPs only R25-B5 No AML/CFT framework and guidelines for DNFBPs.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p>	
<p><b>R27 (PC)</b></p>	<p><i>R27-B1</i>  <i>The reorganization of the federal forces of investigation has created difficulties in the coordination between such forces and prosecutors, thereby affecting the effective investigation and prosecution of ML offences.</i></p>	<p>The GOM has made important efforts in order to further improve the coordination among the different agencies involved in preventing and combating ML/FT.</p> <p>Since 2008, several laws and regulations have entered into effect in order to precise the faculties of the Federal Police and the PGR in the prevention and combating of ML/FT. Among these new legislations, are the following: the Federal Police Law (published on June 1, 2009), the Regulations of the Federal Police Law (published on May 17, 2010), and the Internal Law of the PGR (published on May 29, 2010).</p> <p>The General Law of the National System of Public</p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Security, which was published on January 2, 2009, establishes that the National System of Public Security is integrated by the National Council of Public Security, several national and local councils, and the Executive Secretary of the System.</p> <p>Within the National System, it is relevant to highlight the existence of the National Council of Secretariats of Public Security and the National Council of Justice, which have the objective of coordinating the work of local and national security authorities.</p> <p>With regards to the National Council of Public Security, it is also relevant to mention that during its 30th session celebrated on June 30, 2011, it agreed to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the national council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Marine and Public Security, as well as the Federal Attorney General; the Governors of the country's states, the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.</p> <p>In consequence, the National Council of Public Security formed a working group integrated by</p>	



TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>three Governors, a representative from the Secretariats of Finance and Public Credit, Public Education, Health, as well as from the PGR and the National Council for the Prevention and Control of Addictions, with the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Coordinate the process of implementation of the Assets Intelligence Units to be created in each of the country's states; these units will integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states in their implementation).</li> <li>• Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.</li> <li>• Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.</li> </ul>	
	<p><i>R27-B2</i>  <i>The insufficiency of resources allocated to PGR's SIEDO and its specialized units is affecting Mexico's capacity to conduct investigations and prosecutions of ML offences in an effective manner.</i></p>		<p>The budget for PGR, as assigned in the Federal Expenditure Budget, was increased in 24% for 2012, in comparison to 2011. Additionally, the PGR has increased its investigative techniques, through two administrative decrees:</p> <ul style="list-style-type: none"> <li>• Administrative Decree A/056/11 published on July 14, 2011, and which allows for the intervention of telephone conversations under certain cases (including ML/FT), as well as the</li> </ul>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>possibility for federal prosecutors to request competent authorities for relevant information, such as telephone numbers and their registered users.</p> <ul style="list-style-type: none"> <li>• Administrative Decree A/016/11 published on March 11, 2011, and which grants the Deputy Attorney General for the Investigation of Organized Crime with the faculty to authorize undercover operations for investigations on organized crime.</li> </ul> <p>Also, the Regulations of the Organic Law of the Office of the Attorney General were published in the Federal Official Gazette on July 23, 2012, including the creation of several new units for SIEDO, the most relevant AML/CFT area within the PGR.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>R27-B3</i>  <i>Mexico has no legal provision or other tool that allows competent authorities to postpone or waive the arrest of suspected persons and/or the seizure of money for the purpose of identifying persons involved in such activities.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p>	<p>The Federal Law for the Protection of Persons that Intervene in Criminal Procedures was published on June 8, 2012. The law establishes a series of assistance and protection measures for victims, witnesses, collaborators, experts on different subjects, police officers, prosecutors, members of the Judicial Power, and those with close relationship or kinship with the former, when in a situation of risk or danger due to their involvement in the criminal procedure or as a</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>This bill establishes that in certain cases the federal prosecutors may postpone or waive the seizure of money for the purpose of identifying persons involved in such activities.</p>	<p>result of it. In this sense, aforementioned persons can have access to psychological, medical and economic assistance, among others, as well as to security measures such as police custody, relocation and the provision of a new identity to the protected person.</p> <p>A bill to amend the Criminal Code, the Federal Criminal Procedure Code, the Federal Law against Organized Crime and several other financial laws was presented before Congress on August 26, 2010. Amendments to Article 27 Bis of the Federal Law against Organized Crime establish that for controlled deliveries and undercover operations, federal prosecutors may postpone the seizure of assets or funds and the detention of suspects.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	<p><i>R27-B4</i>                      Limited provisions for the use of special investigative techniques to cover all underlying offenses in regard to money laundering and the financing of terrorism, and for controlled deliveries.</p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>This bill focuses a specific chapter to new specialized techniques for the investigation of</p>	<p>The PGR has increased its investigative techniques, through two administrative decrees:</p> <ul style="list-style-type: none"> <li>• Administrative Decree A/056/11 published on July 14, 2011, and which allows for the intervention of telephone conversations under certain cases (including ML/FT), as well as the possibility for federal prosecutors to request competent authorities for relevant information, such as telephone numbers and their registered users.</li> <li>• Administrative Decree A/016/11 published on</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>organized crime, including undercover operations and simulated accounts. It is currently under analysis and discussion at the Senate.</p>	<p>March 11, 2011, and which grants the Deputy Attorney General for the Investigation of Organized Crime with the faculty to authorize undercover operations for investigations on organized crime.</p> <p>The bill of decree by which several criminal and financial laws are amended, which was previously reported, continues to be under analysis and discussion at the Senate.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
R30 (PC)	<p><i>Supervisors only R30-B1 Insufficient training for risk-based supervision including for offsite surveillance of ML and FT risks.</i></p>	<p>The GOM has continued to make important efforts in order to provide sufficient use of off-site supervisory capacity for planning and conducting onsite inspections. In this sense, the Financial Supervisory Bodies have provided specific training on the matter to their AML/CFT areas.</p> <p>In the particular case of the CNBV, it is relevant to point out that this supervisor has worked intensively with the IMF, through a technical assistance program, in developing a new supervision methodology for the prevention of ML/FT with a risk-based approach, which was finalized during March 2011.</p> <p>This new methodology will allow for better planned and targeted onsite inspections, based on a more comprehensive understanding of the</p>	<p>The CNBV and CONSAR have targeted in their 2012 training programs to provide new training focused on AML/CFT supervision with a risk-based approach, to all or most of their AML/CFT supervisors. The CNSF has a special area for AML/CFT supervision, which has exchanged expertise with personnel of the FIU regarding the detection and reporting of transactions.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>relevant financial sectors and the characteristics of each particular entity.</p> <p>The methodology will include a diagnosis of the relevant entities, focused on their background, their corporate structure and governance, their business and products, as well as their types of clients, among other; providing for the determination of different ML/FT risk levels.</p>	
	<p><i>Supervisors only</i>  <i>R30-B2</i>  <i>Insufficient focus on, and provision of specialized training to inspections staff, for the review of controls in FIs designed to detect non-cash suspicious transactions.</i></p>	<p>The GOM has continued to make important efforts in order to provide sufficient use of off-site supervisory capacity for planning and conducting onsite inspections.</p> <p>In the particular case of the CNBV, it is relevant to point out that this supervisor has worked intensively with the IMF, through a technical assistance program, in developing a new supervision methodology for the prevention of ML/FT with a risk-based approach, which was finalized during March 2011.</p> <p>This new methodology will allow for better planned and targeted onsite inspections, based on a more comprehensive understanding of the relevant financial sectors and the characteristics of each particular entity.</p> <p>The methodology will include a diagnosis of the relevant entities, focused on their background,</p>	<p>The CNBV and CONSAR have targeted in their 2012 training programs to provide new training focused on AML/CFT supervision with a risk-based approach, to all or most of their AML/CFT supervisors. The CNSF has a special area for AML/CFT supervision, which has exchanged expertise with personnel of the FIU regarding the detection and reporting of transactions.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>their corporate structure and governance, their business and products, as well as their types of clients, among other; providing for the determination of different ML/FT risk levels.</p> <p>In this context, the IMF has also imparted a training course to AML/CFT supervisors on the new ML/FT risk-based supervision approach.</p> <p>This was not the only training received by CNBV AML/CFT personnel. In fact, from 2008 to 2011, CNBV supervisors took courses, seminars or conferences on AML/CFT matters.</p> <p>Also, CNBV personnel participated in a round table with foreign authorities to share experiences in the AML/CFT supervision of money remitters.</p>	
	<p><i>Supervisors only</i>  <i>R30-B3</i>  <i>Insufficient staff of the DGPOI to provide more adequate support to all of the CNBV's supervisory units and other outside authorities such as the FIU and the PGR.</i></p>	<p>The CNBV is working to strengthen the structure of its AML/CFT area.</p>	<p>The CNBV has increased its budgetary and human resources. The CNBV has created an AML/CFT Vice-presidency (second level within the organization), which has two General Directors, one of them focused on banking institutions and the other one focused on the supervision of currency exchange centers, money remitters and unregulated SOFOMES. Furthermore, the number of employees in the AML/CFT area has increased substantially. There has been an increase of 154% in the number of employees for the relevant area within the CNBV since the MER was executed.</p> <p><i>Provided what has been reported, we consider</i></p>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<b><i>the observations included in the left column have been fully executed.</i></b>
	<p><i>Supervisors only</i>                      R30-B4                      Insufficient staff for the SAT for supervising money exchange centres, money remitters, and SOFOMES.</p>	<p>A decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of unregulated SOFOMES, currency exchange centers and money remitters.</p> <p>For carrying out that new responsibility adequately, the CNBV has increased its budgetary and human resources. The CNBV has created an AML/CFT Vice-presidency (second level within the organization), which has two General Directors, one of them focused on banking institutions and the other one focused on the supervision of currency exchange centers, money remitters and unregulated SOFOMES. Furthermore, the number of employees in the AML/CFT area has increased substantially. There has been an increase of 154% in the number of employees for the relevant area within the CNBV since the MER was executed.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>FIU only</i>                      R30-B5                      Low number of staff relative to the amount of reports received and expected future volume of STRs and workload, and there is no timetable for increasing resources for the</p>	<p>The FIU has taken several actions for providing an efficient performance of its responsibilities.</p> <p>The FIU has strengthened its technical and operational capacity:</p>	<p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>FIU, especially in the number of staff.</i></p>	<ul style="list-style-type: none"> <li>• New criteria has been established for the selection, hiring and evaluation of public servants at the FIU, for assuring all of them have the necessary levels of expertise and reliability. The new criteria include specialized-knowledge exams and psychological, socio-economic, polygraph and drug tests.</li> <li>• The FIU has been relocated to new premises with better conditions in space, equipment and security.</li> </ul> <p>Also, the FIU has improved its coordination with several relevant AML/CFT authorities, through protocols executed among the FIU, the SAT, the PGR, and the INAMI. These protocols establish in detail which are the procedures and tools each of these agencies can or must employ on ML/FT investigations and cases.</p>	<p>sectors, and to issue guidelines and criteria that the relevant financial entities to increase the quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</li> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that</li> </ul>



<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
			<p>identify risks, trends and patterns for practically all financial sectors.</p> <ul style="list-style-type: none"> <li>• The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p>The FIU has also continued developing strategic studies:</p> <ul style="list-style-type: none"> <li>• The FIU has developed several studies for understanding better the reception and flow of U.S. dollars in cash within Mexico.</li> <li>• The FIU has developed a “digital map” that allows measuring the vulnerability to money laundering of the country’s states and municipalities, taking into account a diverse range of indicators. The map has allowed for a better prioritization in the FIU’s analysis of reports.</li> <li>• The FIU is currently developing a national risk assessment that comprehends all the financial sectors, DNFBPs and other risky businesses and professions. The project is intended to provide a complete diagnose that allows measuring the vulnerability to money laundering of specific types of clients, operations, products and services.</li> </ul> <p><i>Provided what has been reported, we consider</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>R30-B6</i>  <i>Law enforcement only</i>  <i>Insufficient resources allocated to PGR's SIEDO and its specialized units hinder effectiveness in the conduct investigations and prosecutions.</i></p>		<p><i>the observations included in the left column have been fully executed.</i></p> <p>The budget for PGR, as assigned in the Federal Expenditure Budget, was increased in 24% for 2012, in comparison to 2011.</p> <p>Additionally, the Regulations of the Organic Law of the Office of the Attorney General were published in the Federal Official Gazette on July 23, 2012, including the creation of several new units for SIEDO, the relevant AML/CFT area within the PGR.</p> <p>Also, the PGR has increased its investigative techniques, through two administrative decrees:</p> <ul style="list-style-type: none"> <li>• Administrative Decree A/056/11 published on July 14, 2011, and which allows for the intervention of telephone conversations under certain cases (including ML/FT), as well as the possibility for federal prosecutors to request competent authorities for relevant information, such as telephone numbers and their registered users.</li> <li>• Administrative Decree A/016/11 published on March 11, 2011, and which grants the Deputy Attorney General for the Investigation of Organized Crime with the faculty to authorize undercover operations for investigations on organized crime.</li> </ul>

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i>
R33 (NC)	<p><i>R33-B1</i>  <i>Mexico has not taken measures to prevent the use of legal persons in relation to ML/TF.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include the obligation of financial entities to establish procedures that allow them to identify the real owners of the resources of their clients. For example, in the case of high-risk legal persons, financial entities must identify their corporate structure, shareholders, capital stock, among other.</p> <p>The SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies in almost identical terms to the above.</p> <p>Furthermore, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill to which we made reference previously in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>perpetrate any crime in favor of a criminal organization.</p> <p>The bill is currently under analysis and discussion at the Senate.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 32.</b></li> <li>• <b>Currency exchange houses, provision: 23.</b></li> <li>• <b>Currency exchange centers, provision: 20.</b></li> <li>• <b>Money remitters, provision: 21.</b></li> <li>• <b>Securities brokerage firms, provision: 30.</b></li> <li>• <b>SOFOLLES, provision: 27.</b></li> <li>• <b>SOFOMES, provision: 26.</b></li> <li>• <b>Auxiliary credit organizations, provision: 27.</b></li> </ul>	<p>until December 31 of the same year.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 3 and 26.</b></li> <li>• <b>Bonding companies, provisions: 3 and 25.</b></li> </ul> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
	<p>R33-B2 <i>The Registry may not be able to obtain or have access to adequate, accurate and current beneficial ownership and control information.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish that financial entities must integrate files that include identification information on the beneficial owners of their business relations. Additionally, all entities have to register before the Public Registry of Trade, their incorporation, transformation, merger, split, dissolution or settlement. For each of the registered entities an electronic folio is integrated,</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations establish that the relevant financial entities must have internal procedures that allow them to identify the beneficial owners of the resources involved in</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>with the following information and documentation: 1) folio number, 2) legal name; 3) nature of business; 4) start-up date; 5) domicile and address of established branches; 6) public documents on which the incorporation of the relevant entity is established; 7) minute of the first general meeting with annexes; 8) appointment, removal or resignation of management; 9) modifications to the legal name, domicile, purpose and duration or increase or decrease of capital stock; 10) issuance of shares, as well as any other act that could have an effect on the structure or ownership of the shares.</p> <p>The FIU has access to the database of the Public Registry of Trade in terms of the protocol it executed with the Secretariat of Economy.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 32.</b></li> <li>• <b>Currency exchange houses, provision: 23.</b></li> <li>• <b>Currency exchange centers, provision: 20.</b></li> <li>• <b>Money remitters, provision: 21.</b></li> <li>• <b>Securities brokerage firms, provision: 30.</b></li> <li>• <b>SOFOLAS, provision: 27.</b></li> <li>• <b>SOFOMES, provision: 26.</b></li> <li>• <b>Auxiliary credit organizations, provision: 27.</b></li> </ul>	<p>their business relations.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provisions: 25</b></li> <li>• <b>Bonding companies, provisions: 26</b></li> </ul>
	<p>R33-B3 Mexico has not taken appropriate measures to ensure that legal persons using bearer</p>	<p>Please note that legal persons are not allowed to issue bearer shares.</p>	<p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>shares are not misused for ML.</i>	<p>In Mexico, there are no bearer shares. According to the General Law of Commercial Entities, all shares and provisional certificates shall expressly establish: 1) the name, nationality and address of the shareholder; 2) the official name, address and duration of the company; 3) the company's incorporation date and information on the inscription before the Public Registry of Trade; 4) the capital stock and total number and value of shares; 5) the number of payments made by the relevant shareholder regarding the total value of the share; 6) the serial or certificate number of the share and the total number of shares issued in such series; 7) the conceded rights and obligations imposed on the shareholder and limitations to voting rights, if any; 8) the handwritten or printed signature of managers.</p> <p><b>Relevant legislation:</b></p> <p><b>Article 125 of the Law of Commercial Companies.</b></p>	
R38 (PC)	<i>R38-B1 There are no appropriate laws and procedures to freeze terrorist funds or other assets at the request of a foreign country.</i>	The GOM has created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.	
	<i>R38-B2 Mexican law contains no provisions for confiscating goods of equivalent value.</i>	As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b> , the Federal Executive presented to Congress a	The bill of decree by which several criminal and financial laws are amended, which was previously reported, continues to be under analysis and discussion at the Senate.

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
		<p>series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended. This bill seeks, among other, to establish the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located. It is currently under analysis and discussion at the Senate.</p>	<p><b><i>This bill covers all the observations included in the left column.</i></b></p>
<b>SRVI (PC)</b>	<p><i>SRVI-B1</i></p> <p><i>Large volumes of cash are brought from abroad by informal and unregistered couriers and there has not been a systematic effort to estimate the number of MVT and to identify those that operate informally.</i></p>	<p>The FIU, together with foreign authorities, worked on a comprehensive study that concluded there was a substantial amount of U.S. dollars in cash entering the Mexican financial system, for which there was not a clear origin. This investigation consequently led to the GOM to establish restrictions to U.S. dollars in cash through amendments to AML/CFT regulations.</p> <p>Indeed, AML/CFT General Provisions applicable to banking institutions were amended on June 16, 2010, with the purpose of (i) establishing limits in the amounts of U.S. dollars in cash that banking institutions can accept from clients or occasional customers through deposits or other transactions, and (ii) establishing the obligation of banking institutions to report transactions involving U.S. dollars in cash that exceed pre-determined limits established in the regulations.</p>	<p>The AGA has permanent operations in the country's customs in order to inhibit this and any type of illicit acts. Furthermore, the AGA is currently implementing several technologies to support revision on merchandises, cars, trucks, ships, etc; SAT has developed a warning scheme that enables sending "targets" to the customs in the country to carry out revision or control in high-risk operations and passengers.</p> <p>On the permanent actions performed on the several entrance points, AGA files monthly reports to the FIU with the purpose of carrying out the corresponding investigation, in exercise of its faculties.</p> <p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of unregulated SOFOMES, currency exchange centers and money remitters.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>A decree was published on August 3, 2011, amending the LGOAAC, to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called "sociedades anónimas", register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p>Additionally, the SAT has maintained systematic operations in the country's customs in order to inhibit the business of informal or unregistered couriers. For this purpose, the SAT has implemented several technological measures that allow for a better examination of the merchandise being transported. For example, the SAT has implemented a system that allows it to send alerts to the customs in the country, for their examination of specific cargoes or persons considered of high-risk.</p>	<p>In such role, the CNBV can apply different sanctions for any wrongful act of currency exchange centers and money remitters: (1) cancellation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations. For the case of unregulated SOFOMES, the CNBV may establish fines of up to approximately 470,000 U.S. dollars.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters, were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with</p>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Additionally, the AML/CFT General Provisions applicable to currency exchange houses and securities brokerage firms were also modified on September 9, 2010, in almost identical terms to those mentioned above.</p> <p>Furthermore, the layouts for the reports of U.S. dollars in cash to which we've made reference, were published on October 25 and 28, 2010; and revised versions were later published on March 21, 2011.</p> <p>The objective of the aforementioned restrictions is to reduce the flow of U.S. dollars in cash within the Mexican financial system, promoting the use of alternative methods of payment, such as wire transfers or checks. We expect that the result of these restrictions will be a reduced exposure to money laundering transactions through the country's financial system.</p>	<p>instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>With regards to the restrictions of U.S. dollars in cash established within the AML/CFT General Provisions applicable to banking institutions, currency exchange houses and securities brokerage firms, also reported before, there have been highly successful results after approximately two years from their implementation.</p> <p>Indeed, as of December 2011, the amounts of U.S. dollars in cash entering the Mexican financial system have decreased in more than 60% when compared to the amounts entering the country's financial system before the restrictions entered into effect. Additionally, it is important to highlight that these restrictions have not affected the capacity of financial entities to satisfy the demand of U.S. dollars in cash from legal sectors of the country's economy.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>SRVI-B2</i>  <i>The obligation for money remitters to consider, for purposes of ascertaining suspicion, small structured transactions that in aggregate equal or exceed the USD 3 000</i></p>	<p>AML/CFT General Provisions applicable to money remitters were published on December 17, 2009. These new AML/CFT regulations established stricter thresholds for the identification of clients and occasional customers, including for wire</p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>threshold does not constitute an explicit requirement to undertake CDD.</i></p>	<p>transfer operations:</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or occasional customer is a legal person, the following information must be collected: company name, nationality, address, federal tax identification number, and information of its legal representative.</li> <li>• In business relationships involving \$3,000-\$5,000 U.S. dollars, apart from the information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</li> <li>• In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons: profession or business, telephone number, email, national identification number, SAT</li> </ul>	

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 4, 9, 26, 27 y 30.</b></li> </ul>	
	<p><i>SRVI-B3</i>  <i>Insufficient supervisory actions and resources relative to the large number of providers hamper effectiveness of implementation. Additional personnel recently assigned to the SAT unit responsible for supervision may take some time before reaching full capacity.</i></p>	<p>As for the supervision of unregulated SOFOMES, a decree was published on August 3, 2011, amending the General Law of Auxiliary Credit Organizations and Activities (LGOAAC) to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called "sociedades anónimas", register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of currency exchange centers and money remitters (as well as unregulated SOFOMES).</p> <p>For carrying out this new responsibility, the CNBV has adequate budgetary and human resources. The CNBV has created an AML/CFT Vice-presidency (second level within the organization), which has two General Directors, one of them specifically focused on the supervision of currency exchange centers, money remitters and unregulated SOFOMES.</p> <p>Furthermore, the number of employees in the AML/CFT area has increased substantially. There</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p>Also relevant is the fact that from 2008 to 2011, CNBV AML/CFT supervisors took courses, seminars or conferences on AML/CFT matters.</p>	<p>has been an increase of 154% in the number of employees for the relevant area within the CNBV since the MER was executed.</p> <p>Additionally, the CNBV has targeted in its 2012 training program to provide new training focused on AML/CFT supervision with a risk-based approach, to all or most of their AML/CFT supervisors.</p> <p>Also, the CNBV is working with different multilateral bodies for additional training projects.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>SRVI-B4</i> <i>The SAT is not explicitly empowered to inspect, instruct and sanction the payors, only the disperser transmitters.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters issued on December 17, 2009, establish that these financial entities are responsible for their AML/CFT regulations, even for those activities that are executed by their agents. In this sense, although the CNBV has supervision authority over money remitters and their agents, it is money remitters that assume responsibility for themselves and for</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2)</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>their agents, and therefore the CNBV can only sanction money remitters for AML/CFT regulations.</p> <p>Additionally, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters, currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 48 and 49.</b></li> </ul>	<p>ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Provided what has been reported, we consider</b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012																								
	<p><i>SRVI-B5</i>  <i>Technical problems are preventing that the STRs (and CTRs) filed by money remitters through the SAT arrive at the FIU, and these reports are not being used in any form.</i></p>	<p>Since October 2008 there have been no significant problems with the system used to submit transactions reports from money remitters to the FIU.</p> <p>Also, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters, currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p>	<p><i>the observations included in the left column have been fully executed.</i></p> <p>We confirm there have been no significant problems with the system used to submit transactions reports from money remitters to the FIU. Below we provide specific data on the amount of reports sent by these financial entities from 2008 onwards.</p> <table border="1" data-bbox="1462 659 1998 869"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Employees Reports</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>30,160</td> <td>59,818</td> <td>5</td> </tr> <tr> <td>2009</td> <td>81,487</td> <td>30,797</td> <td>4</td> </tr> <tr> <td>2010</td> <td>76,598</td> <td>29,618</td> <td>28</td> </tr> <tr> <td>2011</td> <td>39,760</td> <td>29,396</td> <td>0</td> </tr> <tr> <td>2012 (2nd quarter)</td> <td>8,445</td> <td>14,500</td> <td>0</td> </tr> </tbody> </table> <p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2)</p>	Year	CTRs	STRs	Employees Reports	2008	30,160	59,818	5	2009	81,487	30,797	4	2010	76,598	29,618	28	2011	39,760	29,396	0	2012 (2nd quarter)	8,445	14,500	0
Year	CTRs	STRs	Employees Reports																								
2008	30,160	59,818	5																								
2009	81,487	30,797	4																								
2010	76,598	29,618	28																								
2011	39,760	29,396	0																								
2012 (2nd quarter)	8,445	14,500	0																								

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p>Here it is relevant to highlight that the decrease in</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>the amount of reports received by the FIU from money remitters during 2010 to 2011, is the result of an improvement in the monitoring and reporting of financial entities, influenced among other by feedback efforts of the FIU and the Financial Supervisory Bodies.</p> <p>Furthermore, the decrease in the amount of reports received by the FIU from currency exchange centers and money remitters during 2012, is the result of amendments to the LGOAAC which established the obligation of both types of entities to cover several additional requirements in order to operate, which provoked a substantial reduction in the existing amount of these entities.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>SRVI-B6</i>  <i>Disperser transmitters are not required to maintain a list of the agents and payor transmitters with whom they operate, and are not required to immediately obtain the customer documentation after a transfer is paid by agents or payors.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters issued on December 17, 2009, establish that these financial entities are responsible for their AML/CFT regulations, even for those activities that are</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the</p>



TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>executed by their agents. In this sense, although the CNBV has supervision authority over money remitters and their agents, it can only sanction money remitters as sole responsible parties.</p> <p>Additionally, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters, currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 2, 4, 49 and 55.</b></li> </ul>	<p>form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
			<p>June 8, 2012.</p> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
	<p><i>SRVI-B7</i>  <i>Disperser transmitters are not explicitly accountable for the failure of their Payor transmitters to satisfy the applicable CDD, monitoring and reporting requirements.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters issued on December 17, 2009, establish that these financial entities are responsible for their AML/CFT regulations, even for those activities that are executed by their agents. In this sense, although the CNBV has supervision authority over money remitters and their agents, it can only sanction money remitters as sole responsible parties.</p> <p>Additionally, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters, currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called "sociedades anónimas", register at the CNBV,</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p> <p>More recently, the General Provisions applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of responsibilities from the SAT to the CNBV and</p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 48 and 49.</b></li> </ul>	<p>to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new General Provisions applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of suspicious transactions reports STRs, CTRs and Reports of Employees were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p><i>SRVI-B8</i> Regulations do not require money remitters to include and maintain CDD information on wire transfers (relation to SR. VII).</p>	<p>AML/CFT General Provisions applicable to money remitters were published on December 17, 2009. These new AML/CFT regulations established stricter thresholds for the identification of clients and occasional customers, including for wire transfer operations:</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000</li> </ul>	<p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or occasional customer is a legal person, the following information must be collected: company name, nationality, address, federal tax identification number, and information of its legal representative.</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$3,000-\$5,000 U.S. dollars, apart from the information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</li> <li>• In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons: profession or business, telephone number, email, national identification number, SAT electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of</li> </ul>	

TABLE 1 : RECOMMENDATIONS RATED PC/NC			
Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provision: 2,4 and 49.</b></li> </ul>	
SRVII (PC)	<p><i>SRVII-B1</i>  <i>CDD threshold of USD 3,000 exceeds FATF limit.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to currency exchange houses, currency exchange centers and money remitters establish stricter thresholds for the identification of clients and occasional customers, including for wire transfer operations:</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or occasional customer is a legal person, the following information must be collected:</li> </ul>	<p>AML/CFT regulations applicable to SOFOMES were amended as published on December 23, 2011, in order to reflect the transfer of supervision responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>With the same purpose, the new AML/CFT regulations applicable to currency exchange centers and money remitters were published on April 10, 2012.</p> <p>Also, the new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees, were published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, were published on June 8, 2012.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>company name, nationality, address, federal tax identification number, and information of its legal representative.</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$3,000-\$5,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), apart from the information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</li> <li>• In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons: profession or business, telephone number, email, national identification number, SAT electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</li> </ul> <p>We consider that with these new thresholds our AML/CFT regulations are in compliance with</p>	<p><i>have been fully executed.</i></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>FATF's recommendations for CDD (c.5.2 c) and SR.VII, which establish a threshold of \$1,000 U.S. dollars for wire transfers.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4 and 16.</b></li> <li>• <b>Currency exchange houses, provisions: 4 and 10.</b></li> <li>• <b>Money remitters, provision: 4.</b></li> <li>• <b>SOFOLES, provisions: 4 and 14.</b></li> </ul>	
	<p>SRVII-B2 No regulation of batch transfers.</p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The AML/CFT regulations applicable to banking institutions, securities brokerage firms, currency exchange houses and money remitters do not distinguish between batch transfers or individual transfers, so all have to be individually reviewed.</p>	<p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p>SRVII-B3 No regulation of the information that must be kept by intermediary institutions (regulations only cover the originator and beneficiary financial institutions).</p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters issued on December 17, 2009, establish the obligation of these financial entities to identify and create a file for each of their clients, and in the cases that third</p>	<p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>parties execute the CDD, the entities are still responsible for the AML/CFT regulations.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Money remitters, provisions: 2, 4 and 49.</b></li> </ul>	
	<p><i>SRVII-B4</i>  <i>No requirement to adopt risk based procedures for identifying and handling transfers with incomplete originator information.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to banking institutions, SOFOLES, currency exchange houses, money remitters and securities brokerage firms establish that these financial entities have the obligation to provide/receive complete information in wire transfers involving their clients or occasional customers.</p> <p>Additionally, these AML/CFT regulations establish that the relevant financial entities have to adopt risk-based procedures for identifying transfers with incomplete originator information, as well as considering such transactions as suspicious.</p> <p>With regards to SOFOMES, currency exchange centers and auxiliary credit organizations, it is important to note that they are not allowed to execute wire transfers.</p> <p><b>Relevant provisions:</b></p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>



**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<ul style="list-style-type: none"> <li>• <i>Banking institutions, provisions: 4, 16 and 38 paragraph XI.</i></li> <li>• <i>Currency exchange houses, provisions: 4, 10 and 29 paragraph XI.</i></li> <li>• <i>Money remitters, provisions: 4 and 27, paragraph XI.</i></li> <li>• <i>Securities brokerage firms, provisions: 4, 14 and 39.</i></li> <li>• <i>SOFOMES, provisions: 4, 14 and 33 (a-IX).</i></li> </ul>	
	<p><i>SRVII-B5</i>  <i>Money remitters are not subject to wire transfer regulations.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>The specific AML/CFT General Provisions applicable to money remitters, published on December 17, 2009, establish that these financial entities have the obligation to provide/receive complete information in wire transfers involving their clients or occasional customers.</p> <p>As for the supervision of money remitters, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction money remitters, currency exchange centers and unregulated SOFOMES, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange</p>	<p>In terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of money remitters, currency exchange centers and unregulated SOFOMES.</p> <p>In such role, the CNBV can apply different sanctions to these entities when their acts or conducts are contrary to what is established in the general provisions applicable to them. The sanctions for unregulated SOFOMES, can take the form in fines of up to approximately 470,000 U.S. dollars. The sanctions for currency exchange centers and money remitters include the following: (1) cancelation of their registry, (2) ordering the immediate suspension of their operations, (3) closing the business, company or establishment, and (4) ordering to all credit institutions, brokerage firms and currency exchange houses with business links to these entities to suspend or cancel their business relations.</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>centers and money remitters must organize themselves in a specific type of corporation called “sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p>	<p>More recently, the General Provisions applicable to money remitters were amended as published on April 10, 2012, in order to reflect the transfer of responsibilities from the SAT to the CNBV and to incorporate the most recent relevant amendments to AML/CFT regulations of other financial sectors.</p> <p>Also, the new official layout (with instructions) to be used by money remitters in their filing of STRs, CTRs and Reports of Employees were published on June 8, 2012.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
<p><b>SRVIII (PC)</b></p>	<p><i>SRVIII-B1</i> <i>The relevant reviews of the domestic non-profit sector have not been conducted.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

**TABLE 1 : RECOMMENDATIONS RATED PC/NC**

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>Additionally, this bill includes non-profit organizations (NPOs), which are to be subject to regulation and supervision regarding money laundering and its predicate offences, including national and international terrorism financing,</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p>	
	<p><i>SRVIII-B2</i>  <i>No outreach to the NPO sector has been undertaken with a view to protecting the sector from TF abuse.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill for a</p>	<p>The Bill for a Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds was approved by the Chamber of Deputies on April 30, 2012. Provided the approved version included some changes (that do not alter the essence of the original project), it was sent back to the Senate for its analysis and, if</p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
		<p>Federal Law for the Prevention and Identification of Transactions with Criminal Proceeds.</p> <p>The bill has two main purposes: (i) establishing a catalog of those activities that are most vulnerable to ML/FT in terms of the national and international experience, so that whomever provides them has the obligation to provide an adequate customer due diligence/record-keeping and to notify the transactions that are above a determined threshold to the FIU, and (ii) restricting the use of cash in certain transactions.</p> <p>The afore-mentioned catalog includes the activities of DNFBPs set in FATF Recommendation 12, as well as the activities of several other businesses and professions that pose a ML/FT risk in terms of FATF Recommendation 20. The restrictions to the use of cash apply mainly to buy-sell transactions in cash-intensive sectors (i.e. real estate, jewelry, artwork, etc.).</p> <p>The bill was approved by the Senate on April 28, 2011, and sent to the Chamber of Deputies for its discussion and, if applicable, approval.</p> <p>Additionally, the GOM created a multi-agency group, with the main objective of elaborating the necessary legislation proposals, in order for the Mexican legislation to be entirely consistent with the TF Convention and the UN resolutions.</p>	<p>applicable, final approval. The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>SRVIII-B3</i>  Most measures in place concerning NPOs are only for tax purposes and only cover a limited number of NPOs, which are those authorized by the SAT to issue tax deductible receipts.</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B4</i>  No steps have been taken to promote effective supervision or monitoring of relevant NPOs.</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B5</i>  Not all NPOs are required to maintain relevant purpose and control information (only those authorized to issue tax deductible receipts).</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B6</i>  Not all NPOs are subject to appropriate sanctions for violations of oversight or rules (only those authorized to issue tax deductible receipts).</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B7</i>  Not all NPOs are required to be licensed (only those authorized to issue tax deductible receipts).</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B8</i>  Not all NPOs are required to maintain detailed records of transactions to verify that funds have been spent consistent with purpose and objectives (only those authorized to issue tax deductible receipts).</p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>
	<p><i>SRVIII-B9</i></p>	Please see the comments to <i>SRVIII-BI</i> .	Please see the comments to <i>SRVIII</i>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>There is no effective domestic co-operation, co-ordination and information sharing among all levels of appropriate authorities or organizations that hold relevant information on NPOs of potential terrorist financing concern (other than NPOs authorized to issue tax deductible receipts).</i>		
	<i>SRVIII-B10 There are no mechanisms to ensure that full access to information on the administration and management of a particular NPO may be obtained during the course of an investigation (other than for NPOs authorized to issue tax deductible receipts).</i>	Please see the comments to <b>SRVIII-BI</b> .	Please see the comments to <b>SRVIII</b>
	<i>SRVIII-B11 There are no mechanisms for the prompt sharing of information among all relevant authorities in order to take preventative or investigative action when there is a suspicion or reasonable grounds to suspect that a particular NPO is being exploited for terrorist financing purposes or is a front organization for terrorist fundraising (other than NPOs authorized to issue tax deductible receipts).</i>	Please see the comments to <b>SRVIII-BI</b> .	Please see the comments to <b>SRVIII</b>
	<i>SRVIII-B12 There is no investigative expertise and capabilities to examine those NPOs that are suspected of either being exploited by or actively supporting terrorist activity or terrorist organizations.</i>	Please see the comments to <b>SRVIII</b>	Please see the comments to <b>SRVIII</b>

<b>TABLE 1 : RECOMMENDATIONS RATED PC/NC</b>			
<b>Rec</b>	<b>Summary of factors underlying the rating</b>	<b>Actions reported prior to September 2011</b>	<b>Actions from September 2011 to July 2012</b>
	<p><i>SRVIII-B13</i>                      There are no mechanisms to allow for prompt investigative or preventive action against such NPOs.</p>	Please see the comments to <i>SRVIII</i>	Please see the comments to <i>SRVIII</i>
<b>SRIX (PC)</b>	<p><i>SRIX-B1</i>                      It is not an offense to make a false declaration.</p>		
	<p><i>SRIX-B2</i>                      Cases of cross-border transportation of cash or other bearer negotiable instruments are not being thoroughly investigated.</p>	<p>The National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, made public on August 26, 2010, highlights the importance for better understanding and investigating cross-border transportation of cash and other bearer negotiable instruments. Consequently, several actions have been taken.</p> <p>The SAT, through its General Customs Administration (AGA), has executed cooperation and coordination agreements with the Secretariat of Public Security, the Secretariat of Navy, the PGR and the Federal Police. These agreements seek, among other: (i) to enhance resources and modernize necessary equipment, and (ii) to improve the surveillance and security at borders, customs, airports, seaports, railways and highways,</p> <p>Additionally, the SAT has implemented several technological measures that allow for a better examination of the merchandise being transported. For example, the SAT has implemented a system that allows it to send alerts</p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>SRIX-B3</i>  <i>Customs, Immigration, ONDCP and other competent authorities do not coordinate domestically on issues related to the implementation of Special Recommendation IX.</i></p>	<p>to the customs in the country, for their examination of specific cargoes or persons considered of high-risk.</p> <p>The National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, made public on August 26, 2010, highlights the importance for better understanding and investigating cross-border transportation of cash and other bearer negotiable instruments. Consequently, several actions have been taken.</p> <p>The SAT, through its Customs Administration Office, has executed cooperation and coordination agreements with the Secretariat of Public Security, the Secretariat of Navy, the PGR and the Federal Police. These agreements seek, among other: (i) to enhance resources and modernize necessary equipment, and (ii) to improve the surveillance and security at borders, customs, airports, seaports, railways and highways,</p> <p>Additionally, the SAT has implemented several technological measures that allow for a better examination of the merchandise being transported. For example, the SAT has implemented a system that allows it to send alerts to the customs in the country, for their examination of specific cargoes or persons considered of high-risk.</p>	<p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
	<p><i>SRIX-B4</i>  <i>Customs capability to identify money related</i></p>	<p>The National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, made</p>	<p><i>Provided what has been reported, we consider the observations included in the left column</i></p>



TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<i>to terrorist financing activities is limited.</i>	<p>public on August 26, 2010, highlights the importance for better understanding and investigating cross-border transportation of cash and other bearer negotiable instruments. Consequently, several actions have been taken. The SAT, through its Customs Administration Office, has executed cooperation and coordination agreements with the Secretariat of Public Security, the Secretariat of Navy, the PGR and the Federal Police. These agreements seek, among other: (i) to enhance resources and modernize necessary equipment (i.e. gamma and x-ray technologies) and (ii) to improve the surveillance and security at borders, customs, airports, seaports, railways and highways.</p> <p>Additionally, the SAT has implemented several technological measures that allow for a better examination of the merchandise being transported. For example, the SAT has implemented a system that allows it to send alerts to the customs in the country, for their examination of specific cargoes or persons considered of high-risk.</p>	<i>have been fully executed.</i>

TABLE 1 : RECOMMENDATIONS RATED PC/NC

Rec	Summary of factors underlying the rating	Actions reported prior to September 2011	Actions from September 2011 to July 2012
	<p><i>SRIX-B5</i>  <i>There is no specific procedure by the Customs to deal with cross-border transportation of money related to terrorist financing.</i></p>	<p>The National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, made public on August 26, 2010, highlights the importance for better understanding and investigating cross-border transportation of cash and other bearer negotiable instruments. Consequently, several actions have been taken.</p> <p>The SAT, through its Customs Administration Office, has executed cooperation and coordination agreements with the Secretariat of Public Security, the Secretariat of Navy, the PGR and the Federal Police. These agreements seek, among other: (i) to enhance resources and modernize necessary equipment, and (ii) to improve the surveillance and security at borders, customs, airports, seaports, railways and highways,</p> <p>Additionally, the SAT has implemented several technological measures that allow for a better examination of the merchandise being transported. For example, the SAT has implemented a system that allows it to send alerts to the customs in the country, for their examination of specific cargoes or persons considered of high-risk.</p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC <sup>2F5</sup>			
Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
<b>Core Recommendations<sup>3F6</sup> rated LC</b>			
None			
<b>Key Recommendations<sup>4F7</sup> rated LC</b>			
<b>R3 (LC)</b>	<i>R3-B1 Legislation does not provide for the ability to forfeit assets of equal or corresponding value.</i>	As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b> , the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.  Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended. This bill seeks, among other, to establish the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located. It is currently under analysis and discussion at the Senate.	The bill of decree by which several criminal and financial laws are amended, which was previously reported, continues to be under analysis and discussion at the Senate.  <b><i>This bill covers all the observations included in the left column.</i></b>
	<i>R3-B2</i>	As part of the National Strategy for Preventing and	The bill of decree by which several criminal and

<sup>5</sup> Follow-up on any Recommendations rated LC is purely for information purposes only and not required under the FATF follow-up procedures.

<sup>6</sup> FATF Core Recommendations are R1, R5, R10, R13, SRII and SRIV

<sup>7</sup> FATF Key Recommendations are R3, R4, R23, R26, R35, R36, R40, SRI, SRIII and SRV

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
	<p><i>There are no criminal laws/tools for preventing or voiding contracts and actions that diminish the ability to recover assets subject to forfeiture. Preventive measures</i></p>	<p>Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Mexican criminal legislation, specifically the Federal Criminal Procedure Code, establishes the legal figure of abandonment of property. This legal concept establishes that when authorities seize an asset, they must notify the owner within the 60 days following the seizure of such event. However, if the owner is not identified or he/she does not claim property rights on the relevant asset during the 90 days following notification, the asset will be considered “abandoned” and will pass to the property of the government.</p> <p>The Federal Law of Assets Forfeiture (Ley Federal de Extinción de Dominio) was published in the Federal Official Gazette on May 29, 2009. The Law has six main objectives: (i) combating the economic and operational capacity of criminal organizations, (ii) combating the use of frontmen, (iii) combating the possibility for criminal organizations to hide their illegal resources making them seem legal resources, (iv) forfeiting assets in a more efficient and effective way, (v) compensating victims of crime, and (vi) improving the international cooperation on assets forfeiture</p>	<p>financial laws are amended, which was previously reported, continues to be under analysis and discussion at the Senate.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material																								
		<p>cases.</p> <p>More recently, as an on-going effort to improve the existing legislation, the Federal Executive sent to Congress a Bill to reform the Federal Law of Assets Forfeiture on September 3, 2010. The Bill seeks to further improve the effectiveness of trials related to assets forfeiture by dissociating them from related offense trials, and to establish the presumption that assets have an illegal origin when their legal origin cannot be proved. The Bill is currently being analyzed and discussed at the Chamber of Deputies.</p>																									
<p><b>26 (LC)</b></p>	<p><i>R26-B1</i>  <i>Does not have full, timely and secure access to STRs from exchange centres, money services businesses and unregulated SOFOMES filed through the SAT.</i></p>	<p>The reports of all financial entities are transmitted systematically and through electronic means to the FIU. These reports are used in many ways: for the investigation of specific cases, for strategic studies, etc.</p> <p>Additionally, a decree was published on August 3, 2011, amending the LGOAAC to establish that the SAT should transfer to the CNBV its authority to supervise, monitor, inspect and sanction unregulated SOFOMES, currency exchange centers and money remitters, on AML/CFT matters.</p> <p>In terms of this amendment, currency exchange centers and money remitters must organize themselves in a specific type of corporation called</p>	<p>As reported previously, the reports filed by all reporting entities are delivered to the FIU. As an example, we provide relevant information on the filings made since 2008 by currency exchange centers and money remitters:</p> <p><b>1. Currency exchange centers</b></p> <table border="1" data-bbox="1458 1106 1995 1342"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Employees Reports</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>20,903</td> <td>854</td> <td>9</td> </tr> <tr> <td>2009</td> <td>143,993</td> <td>5,821</td> <td>296</td> </tr> <tr> <td>2010</td> <td>99,522</td> <td>8,312</td> <td>169</td> </tr> <tr> <td>2011</td> <td>38,174</td> <td>1,723</td> <td>380</td> </tr> <tr> <td>2012 (2nd quarter)</td> <td>3,517</td> <td>167</td> <td>10</td> </tr> </tbody> </table>	Year	CTRs	STRs	Employees Reports	2008	20,903	854	9	2009	143,993	5,821	296	2010	99,522	8,312	169	2011	38,174	1,723	380	2012 (2nd quarter)	3,517	167	10
Year	CTRs	STRs	Employees Reports																								
2008	20,903	854	9																								
2009	143,993	5,821	296																								
2010	99,522	8,312	169																								
2011	38,174	1,723	380																								
2012 (2nd quarter)	3,517	167	10																								

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material																								
		<p>“sociedades anónimas”, register at the CNBV, exhibit their registration form at their premises, and include the date and number of their registration in any advertising.</p> <p>The decree established a transition period for the transfer of responsibilities mentioned above, to last 240 days as of August 4, 2011.</p>	<p><b>3. Money remitters:</b></p> <table border="1" data-bbox="1458 539 1995 746"> <thead> <tr> <th>Year</th> <th>CTRs</th> <th>STRs</th> <th>Employees Reports</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>30,160</td> <td>59,818</td> <td>5</td> </tr> <tr> <td>2009</td> <td>81,487</td> <td>30,797</td> <td>4</td> </tr> <tr> <td>2010</td> <td>76,598</td> <td>29,618</td> <td>28</td> </tr> <tr> <td>2011</td> <td>39,760</td> <td>29,396</td> <td>0</td> </tr> <tr> <td>2012 (2nd quarter)</td> <td>8,445</td> <td>14,500</td> <td>0</td> </tr> </tbody> </table> <p>Here it is relevant to highlight that the decrease in the amount of reports received by the FIU from currency exchange centers and money remitters during 2010 to 2011, is the result of an improvement in the monitoring and reporting of financial entities, influenced among other by feedback efforts of the FIU and the Financial Supervisory Bodies.</p> <p>Additionally, for the case of currency exchange centers, a decrease in the reports it sent in those years can also be attributed to an important reduction of suspicious transactions made with U.S. dollars in cash, after the entering into effect of AML/CFT regulations to restrict the deposit of U.S. dollars in cash within the Mexican financial system.</p>	Year	CTRs	STRs	Employees Reports	2008	30,160	59,818	5	2009	81,487	30,797	4	2010	76,598	29,618	28	2011	39,760	29,396	0	2012 (2nd quarter)	8,445	14,500	0
Year	CTRs	STRs	Employees Reports																								
2008	30,160	59,818	5																								
2009	81,487	30,797	4																								
2010	76,598	29,618	28																								
2011	39,760	29,396	0																								
2012 (2nd quarter)	8,445	14,500	0																								

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
			<p>Furthermore, the decrease in the amount of reports received by the FIU from currency exchange centers and money remitters during 2012, is the result of amendments to the LGOAAC which established the obligation of both types of entities to cover several additional requirements in order to operate, which provoked a substantial reduction in the existing amount of these entities.</p> <p>All these reports are included in the database of the FIU and are available for financial intelligence investigations that can lead to requests for prosecution or intelligence reports.</p> <p>Additionally, a new official layout (with instructions) to be used by SOFOMES in their filing of STRs, CTRs and Reports of Employees was published on May 31, 2012. And the new official layout (also with instructions) to be used by currency exchange centers and money remitters in their reporting, was published on June 8, 2012.</p> <p>Also relevant is the fact that in terms of the amendments to the LGOAAC reported previously, the CNBV is now the new supervisor of unregulated SOFOMES, currency exchange centers and money remitters.</p> <p>Since the implementation of the new layout for</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
			<p>unregulated SOFOMES came into effect, this financial sector has systematically delivered to the FIU through an automated electronic platform with a total of 6,817 CTRs and 400 STRs, as of August 20, 2012.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
	<p><i>R26-B2</i>  <i>FIU has no access to criminal records.</i></p>		<p>The FIU has access to criminal information through the elaboration of requests for prosecution it sends to PGR and through the intelligence reports that it generates at the request of PGR. In this sense, from June 2009 to June 2012, the FIU has received information of more than 3,900 criminals.</p>
	<p><i>R26-B3</i>  <i>The number of staff is low relative to the amount of reports received and expected future volume of STRs and workload potentially hampering the FIU's effectiveness.</i></p>	<p>The FIU has taken several actions for providing an efficient performance of its responsibilities.</p> <p>The FIU has strengthened its technical and operational capacity:</p> <ul style="list-style-type: none"> <li>• New criteria has been established for the selection, hiring and evaluation of public servants at the FIU, for assuring all of them have the necessary levels of expertise and reliability. The new criteria include specialized-knowledge exams and psychological, socio-economic, polygraph and drug tests.</li> </ul>	<p>The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger understanding of the areas of improvement for different sectors in their reporting.</p> <p>Additionally, there has been a particular focus in improving the quality of the reports being sent by financial entities. This has been achieved through an increase in the feedback provided to reporting entities, which has enabled them to improve their identification, monitoring and reporting of suspicious transactions. Consequently, there has also been an important reduction in the number of</p>



**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<ul style="list-style-type: none"> <li>• The FIU has been relocated to new premises with better conditions in space, equipment and security.</li> </ul> <p>Also, the FIU has improved its coordination with several relevant AML/CFT authorities, through protocols executed among the FIU, the SAT, the PGR, and the INAMI. These protocols establish in detail which are the procedures and tools each of these agencies can or must employ on ML/FT investigations and cases.</p>	<p>protective reporting. We provide a few examples of the feedback provided:</p> <ul style="list-style-type: none"> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patters for practically all financial sectors.</li> </ul> <p>Also, the FIU has worked in improving its risk-based analysis of the reports it receives, providing for a more efficient work of its analysts. These has been achieved mainly through the following actions:</p> <ul style="list-style-type: none"> <li>• The FIU has developed a “digital map”</li> </ul>

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
			<p>that allows measuring the vulnerability of money laundering of the country's states and municipalities, taking into account a diverse range of indicators. The map has allowed for a better prioritization in the FIU's analysis or reports.</p> <ul style="list-style-type: none"> <li>• The FIU has developed several studies for understanding better the reception and flow of U.S. dollars in cash within Mexico, allowing to identify important trends and patterns.</li> <li>• The FIU is currently developing a national risk assessment that comprehends all the financial sectors, DNFBPs and other risky businesses and professions. The project is intended to provide a complete diagnose that allows measuring the vulnerability to money laundering of specific types of clients, operations, products and services.</li> </ul> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>
<b>R35 (LC)</b>	<i>R35-B1 Mexico has not fully implemented the Vienna and Palermo Conventions.</i>	As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b> , the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.	The bills of decree to which we made reference previously, continue to be under analysis and discussion at the Senate.  Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.</p> <p>More recently, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal</p>	<p>Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill presented to Congress on April 14, 2011, to which we made reference before in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>We consider that if these bills are approved by Congress, the observations included in the left column shall have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>organization.</p> <p>Both bills are currently under analysis and discussion at the Senate.</p>	
	<p><i>R35-B2</i> <i>Mexico has not fully implemented the Terrorist Financing Convention</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.</p>	<p>The bills of decree to which we made reference previously, continue to be under analysis and discussion at the Senate.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill presented to Congress on April 14, 2011, to which we made reference before in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>We consider that if these bills are approved by Congress, the observations included in the left column shall have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>More recently, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal organization.</p> <p>Both bills are currently under analysis and discussion at the Senate.</p>	
<b>R36 (LC)</b>	<p><i>R36-B1</i>  <i>The deficiencies in the money laundering and terrorist financing offenses may impact on Mexico's ability to provide MLA.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of</p>	<p>The bills of decree to which we made reference previously, continue to be under analysis and discussion at the Senate.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code, the Federal Criminal Procedures Code and the Federal Law Against Criminal Organizations are amended, was presented within the Senate on April 24, 2012. The bill seeks to modify the current criminalization of terrorism and terrorism financing in order to make it fully consistent with article 2 of the TF Convention.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F5

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.	until December 31 of the same year.  <i>We consider that if these bills are approved by Congress, the observations included in the left column shall have been fully executed.</i>

## Other Recommendations rated LC

<b>R2 (LC)</b>	<i>R2-B1 The money laundering offence is not being effectively implemented as is shown by the very low number of convictions relative to the significant threat of organized crime, the low number of indictments, the volume of intelligence reports of STRs and the size and complexity of the financial system.</i>	<p>The number of persons convicted for money laundering has increased in the past few years. From 2004 to 2007 (3 years), there were 17 convictions for money laundering, whereas from September 2009 to July 2010 (less than 1 year) there were 37 convictions for the same crime.</p> <p>The GOM has also improved the coordination among its AML/CFT agencies.</p> <p>Since 2008, several laws and regulations have entered into effect in order to precise the faculties of the Federal Police and the PGR in the prevention and combating of ML/FT. Among these new legislations, are the following: the Federal Police Law (published on June 1, 2009), the Regulations of the Federal Police Law (published on May 17, 2010), and the Internal Law of the PGR</p>	<p>The GOM has continued its efforts to effectively implement AML/CFT measures.</p> <p>It is relevant to provide the following information on the number of requests for prosecution, intelligence reports and reports on specific financial information, elaborated or gathered by the FIU and sent to the PGR. This data shows a deep commitment of the GOM to conduct money laundering investigations of transactions made through the Mexican financial system.</p> <p><b>1. Requests for prosecution</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>38</td> </tr> <tr> <td>2009</td> <td>43</td> </tr> </tbody> </table>	Year	Number	2008	38	2009	43
Year	Number								
2008	38								
2009	43								

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material																															
		<p>(published on May 29, 2010).</p> <p>Additionally, protocols have been arranged for a better coordination of the FIU with the SAT, the PGR, and the INAMI. These protocols establish in detail which are the procedures and tools each of these agencies can or must employ on ML/FT investigations and cases.</p> <p>Also, the National Council of Public Security agreed in its 30th session celebrated on June 30, 2011, to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the national council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Marine and Public Security, as well as the Federal Attorney General; the Governors of the country's states, the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.</p> <p>In consequence, the national council formed a working group integrated by three Governors, a representative from the Secretariats of Finance and Public Credit, Public Education, Health, as well as from the PGR and the National Council for the</p>	<table border="1" data-bbox="1458 443 2007 560"> <tr> <td><u>2010</u></td> <td><u>52</u></td> </tr> <tr> <td><u>2011</u></td> <td><u>39</u></td> </tr> <tr> <td><u>2012 (1st quarter)</u></td> <td><u>8</u></td> </tr> </table> <p data-bbox="1458 592 1727 619"><b>2. Intelligence reports</b></p> <table border="1" data-bbox="1458 655 2029 815"> <thead> <tr> <th><u>Year</u></th> <th><u>Number</u></th> </tr> </thead> <tbody> <tr> <td><u>2008</u></td> <td><u>116</u></td> </tr> <tr> <td><u>2009</u></td> <td><u>207</u></td> </tr> <tr> <td><u>2010</u></td> <td><u>70</u></td> </tr> <tr> <td><u>2011</u></td> <td><u>88</u></td> </tr> <tr> <td><u>2012 (1st quarter)</u></td> <td><u>33</u></td> </tr> </tbody> </table> <p data-bbox="1458 879 2029 938"><b>3. Reports on specific financial information requested by PGR</b></p> <table border="1" data-bbox="1458 975 2029 1134"> <thead> <tr> <th><u>Year</u></th> <th><u>Number</u></th> </tr> </thead> <tbody> <tr> <td><u>2008</u></td> <td><u>292</u></td> </tr> <tr> <td><u>2009</u></td> <td><u>377</u></td> </tr> <tr> <td><u>2010</u></td> <td><u>510</u></td> </tr> <tr> <td><u>2011</u></td> <td><u>1,305</u></td> </tr> <tr> <td><u>2012 (1st quarter)</u></td> <td><u>303</u></td> </tr> </tbody> </table> <p data-bbox="1458 1166 2038 1353">Also relevant is the fact that during 2011, 100% of the FIU's requests for prosecution have been admitted for pre-trial investigations and assigned to federal prosecutors. Additionally, the intelligence reports are being used intensively for open and new investigations. The above shows</p>		<u>2010</u>	<u>52</u>	<u>2011</u>	<u>39</u>	<u>2012 (1st quarter)</u>	<u>8</u>	<u>Year</u>	<u>Number</u>	<u>2008</u>	<u>116</u>	<u>2009</u>	<u>207</u>	<u>2010</u>	<u>70</u>	<u>2011</u>	<u>88</u>	<u>2012 (1st quarter)</u>	<u>33</u>	<u>Year</u>	<u>Number</u>	<u>2008</u>	<u>292</u>	<u>2009</u>	<u>377</u>	<u>2010</u>	<u>510</u>	<u>2011</u>	<u>1,305</u>	<u>2012 (1st quarter)</u>	<u>303</u>
<u>2010</u>	<u>52</u>																																	
<u>2011</u>	<u>39</u>																																	
<u>2012 (1st quarter)</u>	<u>8</u>																																	
<u>Year</u>	<u>Number</u>																																	
<u>2008</u>	<u>116</u>																																	
<u>2009</u>	<u>207</u>																																	
<u>2010</u>	<u>70</u>																																	
<u>2011</u>	<u>88</u>																																	
<u>2012 (1st quarter)</u>	<u>33</u>																																	
<u>Year</u>	<u>Number</u>																																	
<u>2008</u>	<u>292</u>																																	
<u>2009</u>	<u>377</u>																																	
<u>2010</u>	<u>510</u>																																	
<u>2011</u>	<u>1,305</u>																																	
<u>2012 (1st quarter)</u>	<u>303</u>																																	

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>Prevention and Control of Addictions, with the following responsibilities:</p> <p>(i) Coordinate the process of implementation of the Assets Intelligence Units to be created in each of the country's states; these units will integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states in their implementation).</p> <p>(ii) Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.</p> <p>(iii) Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.</p>	<p>clearly that law enforcement authorities values the information and documentation provided by the FIU.</p> <p>Additionally, there has been an increasing involvement from the judiciary power with the work of the FATF. Since 2011, there has been high-level representation from the judiciary at the Mexican delegation during FATF's meetings. This has increased an awareness of the importance of combating ML/FT with an international approach and of the work of the FATF.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
<b>R6 (LC)</b>	<p><i>R6-B1</i>  <i>No explicit requirement in some regulations to obtain senior management approval for existing PEP accounts and relationships.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include the obligation of the relevant financial entities to identify if a client or potential client is a politically exposed person (<b>PEP</b>). In those cases that a PEP is identified, senior management (first</p>	<p>The GOM, through SHCP, issued a list of prominent government positions that are considered domestic PEPs on November 30, 2011. The list, in accordance with international standards (including the recently approved new FATF 40 Recommendations and the U.N. Convention Against Corruption), must be considered by all reporting entities during their identification and due diligence of clients and occasional customers. In this sense, Mexico puts special attention to the</p>



TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>three levels beneath the General Director) of the relevant financial entity must approve the beginning or continuation of business relationships with the PEP.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 26.</b></li> <li>• <b>Currency exchange houses, provision: 19.</b></li> <li>• <b>Currency exchange centers, provision: 16.</b></li> <li>• <b>Money remitters, provision: 17.</b></li> <li>• <b>Securities brokerage firms, provision: 24.</b></li> <li>• <b>SOFOLLES, provision: 23.</b></li> <li>• <b>SOFOMES, provision: 22.</b></li> <li>• <b>Auxiliary credit organizations, provision: 19.</b></li> </ul>	<p>link between the crimes of corruption and money laundering.</p> <p>Additionally, the following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 20.</b></li> <li>• <b>Bonding companies, provision: 21.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
	<p>R6-B2 Need to define the scope of "origen de recursos" to include source of wealth for</p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as</p>	<p>The following new AML/CFT regulations have been published:</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
	<i>PEPs in addition to source of funds.</i>	<p>explained in detail on <b>Section R5-B2</b>.</p> <p>All the above mentioned AML/CFT regulations which generically provide the transactional profile of each client including information on the origin and destination of funds involved, along with other relevant information.</p> <p>Additionally, according to the criteria document, questionnaires that enable them to know the origin and destination of funds or transactions and attempted transactions, shall be applied to clients that have been classified as high-risk.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Credit institutions, provision: 24, 25</i></li> <li>• <i>Foreign exchange Houses, provision: 17, 18</i></li> <li>• <i>Money remitters, provision: 15, 16</i></li> <li>• <i>Currency exchange businesses, provision: 14, 15</i></li> <li>• <i>Auxiliary credit organizations, provision: 18</i></li> <li>• <i>SOFOLLES, provision: 21, 22</i></li> <li>• <i>SOFOMES, provision: 20, 21</i></li> <li>• <i>Securities Brokerage Firms, provision: 23</i></li> </ul>	<ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <i>Insurance companies, provision: 21</i></li> <li>• <i>Bonding institutions, provision: 22</i></li> </ul>
<b>R7 (LC)</b>	<i>R7-B1</i>	Since October 2008, several new and amended	The following new AML/CFT regulations have

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
	<p><i>Inadequate CDD requirements for correspondent relationships for the mutual fund and securities firms, including the need to establish their AML/CFT responsibilities and that of their respondents.</i></p>	<p>AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to banking institutions and securities brokerage firms establish several obligations with regards to correspondent relationships, including that management has to approve any business relations of this sort, for which they must previously obtain from the relevant correspondent the following information or documentation:</p> <p>(i) An independent auditor's certification that the relevant correspondent complies with CDD AML/CFT regulations.</p> <p>(ii) Information allowing to know the business of the correspondent.</p> <p>(iii) Information allowing to verify that the controls implemented by the correspondent comply with AML/CFT international standards.</p> <p>(iv) Information allowing to know if the correspondent is supervised by a competent authority.</p>	<p>been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 22.</b></li> <li>• <b>Bonding companies, provision: 23.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>(v) Information with regards to any sanctions that might have been applied to the correspondent for non-compliance with AML/CFT regulations.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 29.</b></li> <li>• <b>Securities brokerage firms, provision: 27.</b></li> </ul>	
R11 (LC)	<p><i>R11-B1</i>  <i>Many reporting institutions are using the list of possible alerts provided in the regulations as triggers of reports, without sufficiently analyzing the background and purpose of such transactions.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations include certain indicators to be considered in determining suspicious transactions. Each financial entity must have procedures in place to examine the background and characteristics of the operations that are considered suspicious and must therefore be presented to their communications and control committees. These committees must determine which transactions are actually reported. For such determination, the feedback on quality reporting provided by the FIU and the Financial Supervisory Bodies is fundamental.</p> <p>Additionally, for further guidance, in 2009 the FIU and SAT issued guidelines for the filing of reports</p>	<p>An Homologation Group for AML/FT supervision has been created, conformed by representatives of the Financial Supervisory Bodies, different areas within the SHCP (FIU, UBVA, USPSS, UBD), and the SAT., This group seeks to review and homogenize AML/CFT regulation applicable to all financial sectors, and to issue guidelines and criteria that the relevant financial entities to increase the quality of their reporting.</p> <p>Regarding quality of reports, the FIU has increased the feedback it provides to reporting entities, which in turn has enabled the latter to improve the quality of their preventive measures, monitoring and reporting. This feedback has consisted mainly in the following:</p> <ul style="list-style-type: none"> <li>• The FIU has analyzed more than 60% of the reports in its database, which has in consequence allowed for a stronger</li> </ul>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
		<p>by currency exchange centers and money remitters.</p> <p><i>Relevant provisions:</i></p> <ul style="list-style-type: none"> <li>• <i>Banking institutions, provision: 26.</i></li> <li>• <i>Currency exchange houses, provision: 19.</i></li> <li>• <i>Currency exchange centers, provision: 16.</i></li> <li>• <i>Money remitters, provision: 17.</i></li> <li>• <i>Securities brokerage firms, provision: 24.</i></li> <li>• <i>SOFOLLES, provision: 23.</i></li> <li>• <i>SOFOMES, provision: 22.</i></li> <li>• <i>Auxiliary credit organizations, provision: 19.</i></li> </ul>	<p>understanding of the areas of improvement for different sectors in their reporting.</p> <ul style="list-style-type: none"> <li>• The FIU and the Financial Supervisory Bodies have provided training to reporting entities, focused in the adequate transfer of information and filing of reports.</li> <li>• The FIU and the CNBV meet periodically with the Mexican Banking Association; and the FIU and the CNSF also do so with the Mexican Insurance Association.</li> <li>• The FIU elaborates feedback reports that contain a detailed analysis of reports sent by specific reporting entities and more general reports on the findings for certain sectors. In both types of reports, areas of improvement are identified.</li> <li>• The FIU has also elaborated reports that identify risks, trends and patterns for practically all financial sectors.</li> <li>• The FIU has identified 43 specific indicators to be considered within its risk-based approach model. Many of them have been shared among financial entities for their own analysis of operations.</li> </ul> <p>Also, the FIU, together with CNSF and CONSAR, are working with the relevant sectors to develop guidelines for the filing of reports by insurance companies and retirement funds administration</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
			<p>companies. These new guidelines are expected to be issued during 2012.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>
	<p><i>R11-B2</i></p> <p><i>The monitoring of transactions by money exchanges (centros cambiarios) and money remitters (transmisores de dinero) has been almost exclusively focused on the control of unique or structured transactions starting at USD 3 000.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>AML/CFT regulations applicable to currency exchange houses, currency exchange centers and money remitters establish the obligation of these financial entities to integrate a complete file of their clients and occasional customers, in accordance to the amounts involved in the relevant transactions:</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$500-\$3,000 U.S. dollars (except for wire transfers in which case the threshold begins at \$1,000 U.S. dollars), a record of the transaction has to be kept. In the case the relevant client or occasional customer is a natural person, the following information must be collected: full name, country of birth, nationality, date of birth, address, and number of an official identification; and in the case the client or</li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b><i>Relevant provisions:</i></b></p> <ul style="list-style-type: none"> <li>• <b><i>Insurance companies, provision: 4.</i></b></li> <li>• <b><i>Bonding companies, provision: 4.</i></b></li> </ul> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>occasional customer is a legal person, the following information must be collected: company name, nationality, address, federal tax identification number, and information of its legal representative.</p> <ul style="list-style-type: none"> <li>• In business relationships involving \$3,000-\$5,000 U.S. dollars, apart from the information mentioned above, copies of official identifications from the parties involved in the relevant transaction also have to be collected and kept.</li> <li>• In business relationships in excess of \$5,000 U.S. dollars, a file of each client or occasional customer has to be integrated prior to the execution of the relevant transaction, which apart from the information mentioned above, shall include in the case of natural persons: profession or business, telephone number, email, national identification number, SAT electronic signature, and a declaration that the transaction is or is not carried out on behalf of a third party (in the latter case, all the relevant information for the third party must also be collected); and in the case of legal persons: business activity, telephone number, email, SAT electronic signature, full names of legal representatives and their powers.</li> </ul>	

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>We consider that with these new thresholds our AML/CFT regulations are in compliance with FATF's recommendations for CDD (c.5.2 c) and SR.VII, which establish a threshold of \$1,000 U.S. dollars for wire transfers.</p> <p>Additionally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 4, 16 and 17.</b></li> <li>• <b>Currency exchange houses, provisions: 4 and 10.</b></li> <li>• <b>Currency exchange centers, provision: 4.</b></li> <li>• <b>Money remitters, provision: 4.</b></li> <li>• <b>Securities brokerage firms, provision: 4</b></li> <li>• <b>SOFOLAS, provisions: 4 and 14.</b></li> <li>• <b>SOFOMES, provisions: 4 and 14.</b></li> <li>• <b>Auxiliary credit organizations, provisions; 4 and 12.</b></li> </ul>	
<b>R15 (LC)</b>	<p><i>R15-B1</i>  <i>No explicit requirement in all the AML/CFT regulations to have a well resourced and independent audit function.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance</li> </ul>



TABLE 2 : RECOMMENDATIONS RATED LC2F5

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
		<p>All the aforementioned AML/CFT regulations address the importance of having internal controls, establishing an explicit obligation of financial entities for having their compliance with AML/CFT regulations being examined annually by independent auditors.</p> <p>Additionally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 60.</b></li> <li>• <b>Currency exchange houses, provision: 51.</b></li> <li>• <b>Currency exchange centers, provision: 48.</b></li> <li>• <b>Money remitters, provision: 52.</b></li> <li>• <b>Securities brokerage firms, provision: 61</b></li> <li>• <b>SOFOLLES, provision: 55.</b></li> <li>• <b>SOFOMES, provision: 52.</b></li> <li>• <b>Auxiliary credit organizations, provision: 48.</b></li> </ul>	<p>companies and their agents: issued on July 19, 2012.</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 50.</b></li> <li>• <b>Bonding companies, provision: 51.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
<b>R18 (LC)</b>	<i>R18-B1 No requirement for FIs to satisfy themselves that their foreign respondents do not permit their accounts to be used by shell banks.</i>	Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b> .	The following new AML/CFT regulations have been published: <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19,</li> </ul>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>AML/CFT regulations applicable to banking institutions, currency exchange houses, money remitters, securities brokerage firms, SOFOLES and SOFOMES, establish that these financial entities cannot allow their foreign respondents to celebrate establish business relationships with shell banks.</p> <p>Additionally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provision: 30.</b></li> <li>• <b>Currency exchange houses, provision: 12.</b></li> <li>• <b>Money remitters, provision: 10.</b></li> <li>• <b>Securities brokerage firms, provision: 17.</b></li> <li>• <b>SOFOLES, provision: 16.</b></li> <li>• <b>SOFOMES, provision: 15.</b></li> </ul>	<p>2012.</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 23.</b></li> <li>• <b>Bonding companies, provision: 24.</b></li> </ul> <p><b>Provided what has been reported, we consider the observations included in the left column have been fully executed.</b></p>
<b>R21 (LC)</b>	<p><i>R21-B1</i>  <i>Mexico can impose countermeasures only with respect to countries previously identified by an international organization, and not to countries of specific concern to Mexican authorities.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish that the GOM can issue lists of countries or jurisdictions with low compliance of AML/CFT</p>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding</li> </ul>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>standards, for which the financial entities must practice enhanced CDD measures.</p> <p>Additionally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 30 and 38.</b></li> <li>• <b>Currency exchange houses, provision: 29.</b></li> <li>• <b>Currency exchange centers, provision: 25.</b></li> <li>• <b>Money remitters, provision: 27.</b></li> <li>• <b>Securities brokerage firms, provisions: 28 and 39.</b></li> <li>• <b>SOFOLLES, provision: 33.</b></li> <li>• <b>SOFOMES, provision: 30.</b></li> <li>• <b>Auxiliary credit organizations, provision: 26.</b></li> </ul>	<p>companies and their agents, issued on July 19, 2012.</p> <p>These AML/CFT regulations are in almost identical terms to AML/CFT regulations issued previously for other financial sectors, directly addressing the observations included in the left column.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 23.</b></li> <li>• <b>Bonding companies, provision: 22.</b></li> </ul> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
<b>R28 (LC)</b>	<p><i>R28-B1</i></p> <p><i>The reorganization of federal forces of investigation have created difficulties in the coordination between such forces and prosecutors, thereby affecting the capacity of competent authorities to exercise document production, search and seizure powers in an effective manner.</i></p>	<p>The GOM has made important efforts in order to further improve the coordination among the different agencies involved in preventing and combating ML/FT.</p> <p>Since 2008, several laws and regulations have entered into effect in order to precise the faculties of the Federal Police and the PGR in the prevention and combating of ML/FT. Among these</p>	<p>The PGR has created a Financial Analysis Unit through Administrative Decree A/049/12, published on March 2, 2012. The new unit, under implementation, will be integrated by financial specialists, which will allow for a better coordination between the PGR and the FIU. The unit shall be responsible, among other, for the following: (i) analyzing the requests for prosecution and/or intelligence reports that the</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>new legislations, are the following: the Federal Police Law (published on June 1, 2009), the Regulations of the Federal Police Law (published on May 17, 2010), and the Internal Law of the PGR (published on May 29, 2010).</p> <p>Additionally, protocols have been arranged for a better coordination of the FIU with the SAT, the PGR, and the INAMI. These protocols establish in detail which are the procedures and tools each of these agencies can or must employ on ML/FT investigations and cases.</p> <p>Also, the General Law of the National System of Public Security, which was published on January 2, 2009, establishes that the National System of Public Security is integrated by the National Council of Public Security, several national and local councils, and the Executive Secretary of the System.</p> <p>Within the National System, it is relevant to highlight the existence of the National Council of Secretariats of Public Security and the National Council of Justice, which have the objective of coordinating the work of local and national security authorities.</p> <p>Also, the National Council of Public Security</p>	<p>FIU sends to PGR, as well as other relevant information from other sources, and (ii) issuing specialized opinions and reports on financial and accounting matters, requested by federal prosecutors.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>agreed in its 30th session celebrated on June 30, 2011, to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the national council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Marine and Public Security, as well as the Federal Attorney General; the Governors of the country's states, the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.</p> <p>In consequence, the national council formed a working group integrated by three Governors, a representative from the Secretariats of Finance and Public Credit, Public Education, Health, as well as from the PGR and the National Council for the Prevention and Control of Addictions, with the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Coordinate the process of implementation of the Assets Intelligence Units to be created in each of the country's states; these units will integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states</li> </ul>	

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>in their implementation).</p> <ul style="list-style-type: none"> <li>• Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.</li> <li>• Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.</li> </ul>	
	<p><i>R28-B2</i>  <i>The insufficiency of resources allocated to PGR's SIEDO and its specialized units is affecting their capacity to implement their investigative powers in an effective manner.</i></p>		<p>The budget for PGR, as assigned in the Federal Expenditure Budget, was increased in 24% for 2012, in comparison to 2011.</p> <p>The Regulations of the Organic Law of the Office of the Attorney General were published in the Federal Official Gazette on July 23, 2012, including the creation of several new units for SIEDO, the most relevant AML/CFT area within the PGR.</p> <p>Also, the PGR has increased its investigative techniques, through two administrative decrees:</p> <ul style="list-style-type: none"> <li>• Administrative Decree A/056/11 published on July 14, 2011, and which allows for the intervention of telephone conversations under certain cases (including ML/FT), as well as the possibility for federal prosecutors to request competent authorities for relevant information, such as telephone numbers and their registered users.</li> </ul>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
			<ul style="list-style-type: none"> <li>Administrative Decree A/016/11 published on March 11, 2011, and which grants the Deputy Attorney General for the Investigation of Organized Crime with the faculty to authorize undercover operations for investigations on organized crime.</li> </ul> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
R31 (LC)	<p>R31-B1</p> <p><i>The reorganization of the federal forces of investigation over the past year has created transitional coordination and cooperation difficulties between these forces and prosecutors.</i></p>	<p>The GOM has made important efforts in order to further improve the coordination among the different agencies involved in preventing and combating ML/FT.</p> <p>Since 2008, several laws and regulations have entered into effect in order to precise the faculties of the Federal Police and the PGR in the prevention and combating of ML/FT. Among these new legislations, are the following: the Federal Police Law (published on June 1, 2009), the Regulations of the Federal Police Law (published on May 17, 2010), and the Internal Law of the PGR (published on May 29, 2010).</p> <p>Additionally, protocols have been arranged for a better coordination of the FIU with the SAT, the PGR, and the INAMI. These protocols establish in detail which are the procedures and tools each of</p>	<p>The PGR has created a Financial Analysis Unit through Administrative Decree A/049/12, published on March 2, 2012. The new unit, under implementation, will be integrated by financial specialists, which will allow for a better coordination between the PGR and the FIU. The unit shall be responsible, among other, for the following: (i) analyzing the requests for prosecution and/or intelligence reports that the FIU sends to PGR, as well as other relevant information from other sources, and (ii) issuing specialized opinions and reports on financial and accounting matters, requested by federal prosecutors.</p> <p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>these agencies can or must employ on ML/FT investigations and cases.</p> <p>Also, the National Council of Public Security agreed in its 30th session celebrated on June 30, 2011, to direct special attention to the prevention and combating of ML/FT. This is very relevant, for the national council is integrated by the President of Mexico; some of the highest ranking officers of his administration: the Heads of the Secretariats of Government, Defense, Marine and Public Security, as well as the Federal Attorney General; the Governors of the country's states, the Head of Mexico City's government, and the Secretary of the National Security System; which shows the confirmation of a high-level political commitment with the cause.</p> <p>In consequence, the national council formed a working group integrated by three Governors, a representative from the Secretariats of Finance and Public Credit, Public Education, Health, as well as from the PGR and the National Council for the Prevention and Control of Addictions, with the following responsibilities:</p> <ul style="list-style-type: none"> <li>• Coordinate the process of implementation of the Assets Intelligence Units to be created in each of the country's states; these units will</li> </ul>	



**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>integrate and analyze the assets information that exists at local levels. (The FIU has played an important role in the design of these units and has collaborated with the different states in their implementation).</p> <ul style="list-style-type: none"> <li>• Promote the criminalization of ML/FT in local criminal codes, in accordance with international standards; currently 12 out of 32 states have passed legislation in this sense.</li> <li>• Establish mechanisms that allow the country's states to have a share of the economic gains related to the freezing of assets.</li> </ul>	
	<p><i>R31-B2 Absence of effective joint cooperation or coordination mechanisms between the PGR and the Judiciary to implement joint policies and conduct activities aimed at fighting organized crime.</i></p>	<p>The National Agreement for Security, Justice and Legality was published in the Federal Official Gazette on August 25, 2008. The National Agreement, endorsed by representatives from all the branches and levels of government and the majority of sectors of civil society, established several measures, including the commitment of the Federal Executive to develop and deliver a national strategy against money laundering.</p> <p>The National Strategy for Preventing and Combating Money Laundering and Terrorist Financing was developed by the Federal Executive and made public on August 26, 2010. The national strategy was conceived with two main goals: (i) preventing criminal organizations from making use of their proceeds, and (ii) prosecuting highly</p>	<p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>relevant cases of ML/FT in a timely and effective manner.</p> <p>Also, the General Law of the National System of Public Security, which was published on January 2, 2009, establishes that the National System of Public Security is integrated by the National Council of Public Security, several national and local councils, and the Executive Secretary of the System.</p> <p>Within the National System, it is relevant to highlight the existence of the National Council of Secretariats of Public Security and the National Council of Justice, which have the objective of coordinating the work of local and national security authorities.</p> <p>Considering the aforementioned laws, the state attorney generals and the Office of the Federal Attorney General periodically meet with federal and local courts in order to design joint guidelines for the implementation of public security legislation.</p>	
R32 (LC)	<p><i>FIU only</i>  <i>R32-B1</i>  <i>There is no information on requests denied by either the Mexican FIU or its foreign counterparts.</i></p>		<p>FIU has not denied nor been denied any information requests made from/to foreign counterparts.</p>

**TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>**

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material												
	<p><i>FIU only</i>  <i>R32-B2</i>  <i>No statistics were provided on the number of consultations made by the FIU or the number of declarations received and analyzed by the FIU.</i></p>		<p>The FIU makes public on a quarterly basis and through its website, a series of relevant statistics, which include the number of reports it receives from financial institutions and the number of requests for prosecution it sends to PGR.</p> <p><b><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></b></p>												
	<p><i>Customs only</i>  <i>R32-B3</i>  <i>No statistics or any other information to assess the effectiveness of domestic coordination arrangements.</i></p>		<p>During 2010-2012, the Customs Administration Office has participated in several exercises organized by GAFISUD, in which relevant statistics have been obtained on the effectiveness of coordination among customs offices throughout the country.</p> <p>Additionally, the Customs Administration Office sends to PGR and UIF the reports it elaborates of cash movements and seizures on a monthly basis.</p> <p>Cash inflows and outflows statistics:</p> <table border="1" data-bbox="1458 1166 2029 1329"> <thead> <tr> <th><u>Year</u></th> <th><u>Number</u></th> </tr> </thead> <tbody> <tr> <td><u>2008</u></td> <td><u>10,332</u></td> </tr> <tr> <td><u>2009</u></td> <td><u>6,140</u></td> </tr> <tr> <td><u>2010</u></td> <td><u>9,433</u></td> </tr> <tr> <td><u>2011</u></td> <td><u>11,698</u></td> </tr> <tr> <td><u>2012 (1<sup>st</sup> quarter)</u></td> <td><u>2,382</u></td> </tr> </tbody> </table>	<u>Year</u>	<u>Number</u>	<u>2008</u>	<u>10,332</u>	<u>2009</u>	<u>6,140</u>	<u>2010</u>	<u>9,433</u>	<u>2011</u>	<u>11,698</u>	<u>2012 (1<sup>st</sup> quarter)</u>	<u>2,382</u>
<u>Year</u>	<u>Number</u>														
<u>2008</u>	<u>10,332</u>														
<u>2009</u>	<u>6,140</u>														
<u>2010</u>	<u>9,433</u>														
<u>2011</u>	<u>11,698</u>														
<u>2012 (1<sup>st</sup> quarter)</u>	<u>2,382</u>														

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
	<p><i>Customs only</i>  <i>R32-B4</i>  <i>No statistics on the number of international information requests made and received by the General Customs Administration were provided.</i></p>		<p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p> <p>Customs Agency has not received nor made any information requests to foreign authorities.</p>
<b>R34 (LC)</b>	<p><i>R34-B1</i>  <i>Lack of sufficient measures to ensure that there is adequate, accurate and timely information on the beneficial ownership and control of legal arrangements in all cases.</i></p>	<p>Since October 2008, several new and amended AML/CFT regulations have been published, covering practically all reporting entities, as explained in detail on <b>Section R5-B2</b>.</p> <p>All the aforementioned AML/CFT regulations establish that financial entities must integrate files that include identification information on the parties intervening on trusts, mandates or commissions.</p> <p>Additionally, the SHCP, together with the insurance sector, are working on the elaboration of new AML/CFT General Provisions applicable to insurance companies.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Banking institutions, provisions: 30 and 38.</b></li> <li>• <b>Currency exchange houses, provision: 29.</b></li> </ul>	<p>The following new AML/CFT regulations have been published:</p> <ul style="list-style-type: none"> <li>• General Provisions applicable to insurance companies and their agents: issued on July 19, 2012.</li> <li>• General Provisions applicable to bonding companies and their agents, issued on July 19, 2012.</li> </ul> <p>These AML/CFT regulations establish that the relevant financial entities must have internal procedures that allow them to identify the beneficial owners of the resources involved in their business relations.</p> <p><b>Relevant provisions:</b></p> <ul style="list-style-type: none"> <li>• <b>Insurance companies, provision: 29.</b></li> <li>• <b>Bonding companies, provision: 30.</b></li> </ul>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 – April 2010)	Reference to supporting material
		<ul style="list-style-type: none"> <li>• <i>Currency exchange centers, provision: 25.</i></li> <li>• <i>Money remitters, provision: 27.</i></li> <li>• <i>Securities brokerage firms, provisions: 28 and 39.</i></li> <li>• <i>SOFOLLES, provision: 33.</i></li> <li>• <i>SOFOMES, provision: 30.</i></li> <li>• <i>Auxiliary credit organizations, provision: 26.</i></li> </ul>	<p><i>Provided what has been reported, we consider the observations included in the left column have been fully executed.</i></p>
<b>R37 (LC)</b>	<p><i>R34-B2</i>  <i>No statistics on the number of requests for beneficial ownership information or the amount of sanctions applied to conclude that the measures are effective.</i>  <i>International Cooperation</i></p> <p><i>R37-B1</i>  <i>The deficiencies in the money laundering and terrorist financing offences may impact on Mexico's ability to provide MLA and extradite.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p> <p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii)</p>	<p>The bills of decree to which we made reference previously, continue to be under analysis and discussion at the Senate.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill presented to Congress on April 14, 2011, to which we made reference before in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.</p> <p>More recently, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal organization.</p> <p>Both bills are currently under analysis and discussion at the Senate.</p>	<p>until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column</i></b></p>
<b>R39 (LC)</b>	<p><i>R39-B1</i>  <i>The deficiencies in the money laundering and terrorist financing offences may impact on Mexico's ability to extradite.</i></p>	<p>As part of the National Strategy for Preventing and Fighting Money Laundering and Terrorist Financing, described in detail in <b>Section R1-B2</b>, the Federal Executive presented to Congress a series of legislation projects on August 26, 2010.</p>	<p>The bills of decree to which we made reference previously, continue to be under analysis and discussion at the Senate.</p> <p>Additionally, a bill of decree by which the Federal Criminal Code and the Federal Criminal</p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>Among those legislation projects, is a bill of decree by which several criminal and financial laws are amended.</p> <p>The bill seeks, among other, the following: (i) modifying the current criminalization of money laundering in order to make it fully consistent with the international standards, (ii) criminalizing conducts that are directly related with activities of ML/FT, such as those of frontmen, (iii) establishing new specialized techniques for the investigation of organized crime, and (iv) establishing the possibility for competent authorities to forfeit assets belonging to an indicted that are of equal value to those obtained through their criminal activity, when the latter have been lost, consumed, extinguished or cannot be located.</p> <p>More recently, the Federal Executive presented to Congress on April 14, 2011, a bill of decree by which the Federal Criminal Code and the Federal Criminal Procedures Code are amended. The bill seeks, among other, the following: (i) modifying article 11 of the Federal Criminal Code in order to establish that legal persons are liable for ML/FT and other crimes, and (ii) incorporating an article 164 Quater for criminalizing conspiracy to perpetrate any crime in favor of a criminal</p>	<p>Procedures Code are amended, was presented within the Chamber of Deputies on September 6, 2011. The bill seeks, among other, to establish that legal persons are liable for money laundering in similar terms to those proposed by the bill presented to Congress on April 14, 2011, to which we made reference before in the middle column.</p> <p>The next ordinary session period of Congress begins on September 1, 2012, and may extend until December 31 of the same year.</p> <p><b><i>This bill covers all the observations included in the left column.</i></b></p>

TABLE 2 : RECOMMENDATIONS RATED LC2F<sup>5</sup>

Rec	Summary of factors underlying the rating	Description of Actions taken or being taken to remedy deficiencies since the adoption of the MER (June 2008 - April 2010)	Reference to supporting material
		<p>organization.</p> <p>Both bills are currently under analysis and discussion at the Senate.</p>	