

MEXICO

Relevant Amendments to Banking-Related Regulations in Mexico: A 2025 Perspective on Fintech, Repo Markets, and Financial Inclusion.

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BIO

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Relevant Amendments to Banking-Related Regulations in Mexico: A 2025 Perspective on Fintech, Repo Markets, and Financial Inclusion.

Mexico's banking and financial system stands at a relevant moment in 2025. Regulatory reforms introduced over the past 18 months reflect an evolving legal and policy landscape shaped by technological innovation, international standards, and domestic socio-economic priorities. These reforms, spanning fintech regulation, the repo market framework, and financial inclusion strategies, demonstrate a clear intent by the Ministry of Finance and Public Credit (SHCP), Banco de México (Banxico), and the



Since the enactment of the Fintech Law in 2018, Mexico has become a regional pioneer in legal frameworks applicable to digital finance.

National Banking and Securities Commission (CNBV) to modernize financial operations while reinforcing systemic integrity.

This article analyzes the most relevant amendments from a legal standpoint, highlighting their implications for financial institutions and identifying

emerging regulatory challenges.

I. Fintech and Virtual Assets: Balancing Innovation and Control

Since the enactment of the Fintech Law in 2018, formally known as the Law to Regulate Financial Technology Institutions, Mexico has become a regional pioneer in legal frameworks applicable to digital finance. This legislation provides a regulatory foundation for two core categories of financial technology institutions: (i) Collective Financing Institutions, which operate crowdfunding platforms; and (ii) Electronic Payment Fund Institutions, which manage digital wallets and payment platforms.



These institutions must be formally authorized by the CNBV, subject to regulatory compliance with antimoney laundering (AML), operational risk, and consumer protection standards. The Fintech Law's stated policy objectives include fostering innovation, expanding financial inclusion, and intensifying competition within Mexico's financial ecosystem.

Virtual Assets and Regulatory Tension

One of the most debated aspects of Fintech Law relates to its treatment of virtual assets. Circular 4/2019, issued by Banxico, imposes substantial restrictions on the use of virtual assets by both Fintech legislated companies (CFI and EPFI) and traditional credit institutions. While individuals and unregulated entities may engage in crypto transactions, authorized financial institutions are prohibited from offering virtual assets directly to clients without prior authorization.

In 2024, an amendment to Circular 4/2019 was published, creating a legal pathway for internal virtual asset operations by banks, CFI's and EPFI's, provided that no risk is transferred to customers. This allows institutions to explore blockchain-related products such as custody services for institutional investors, tokenization of internal assets, or participation in permissioned distributed ledger systems. However, obtaining such authorization from Banxico remains a stringent process. Applicants must demonstrate compliance with robust cybersecurity measures and operational controls.





This cautious approach reveals a fundamental regulatory tension: Banxico continues to uphold a "healthy distance" policy between virtual assets and the traditional financial system, citing systemic risk and consumer protection concerns. Meanwhile, demand for crypto-related services continues to rise, particularly among fintech firms that face fewer regulatory constraints. This regulatory asymmetry presents a competitive challenge for Mexican financial institutions operating under tight supervision.

Nevertheless, Banxico's approach does reflect international caution. Similar to actions taken by the European Central Bank and U.S. Federal Reserve, Mexico's central bank prioritizes financial stability over rapid integration of volatile digital assets. A comprehensive framework for virtual assets, possibly through dedicated legislation or enhanced provisions within the Fintech Law, remains a regulatory imperative for the next phase of fintech development in Mexico.

II. Repo Market Modernization: Legal Precision in Circular 7/2024

Repos (reportos) are a fundamental component of money market infrastructure. In Mexican law, the repo is codified under Article 259 of the General Law of Credit Instruments and Operations, defined as a transaction in which the seller transfers ownership of securities to a buyer, with the obligation to repurchase equivalent securities at a future date for a fixed premium. Importantly, this is a true sale rather than a mere collateralized loan, and title to the securities is legally transferred to the buyer.

Mexican financial institutions, such as banks, brokerage houses, and investment firms, are expressly permitted to enter into repo transactions pursuant to Article 46, Section XII of the Credit Institutions Law, and Articles 171 and 176 of the Securities Exchange Law. These instruments are widely used for short-term funding and liquidity management.

Circular 7/2024: Modernizing the Legal Infrastructure

On May 16, 2024, Banxico issued Circular 7/2024, which introduced significant changes to the operational framework governing repo transactions. These amendments aim to harmonize Mexico's repo practices with global standards.

Key reforms include:

Expanded definitions of eligible collateral, moving beyond government securities to potentially include corporate bonds and covered instruments.

Clarification of title transfer mechanics, reinforcing legal certainty under the Federal Civil Code and the Federal Commerce Code.

Improved counterparty eligibility standards, incorporating riskbased criteria and aligning with Basel III quidelines.



Circular 7/2024 modernizes Mexico's repo market, enhancing legal certainty and aligning it with global standards.

The circular eliminates

previous ambiguities and obstacles that hindered repo market depth and development. By codifying enforceability and improving risk metrics, the reform increases transparency and reduces legal uncertainty in default scenarios.

Market reaction has been generally positive. However, full implementation will depend on secondary guidance, expected in late 2025, including specific lists of eligible instruments, treatment of cross-border collateral, and guidelines for central counterparties.





From a legal standpoint, Circular 7/2024 strengthens the contractual architecture of repo operations. It enhances the enforceability of close-out netting provisions and supports market confidence, an essential precondition for deeper liquidity and cross-institutional participation in the repo market.

III. Financial Inclusion: Digital Onboarding and KYC Evolution

Financial inclusion remains a priority objective in Mexican banking policy. Despite substantial progress since 2010, millions of individuals and small businesses remain excluded from the formal financial system. Obstacles include lack of identification documents, rural residence,



In 2024, the CNBV's amendment to onboarding rules revolutionized financial inclusion by authorizing remote account opening for legal entities, breaking down geographic and administrative barriers.

limited financial literacy, and historical mistrust of financial institutions.

In this context,
digital onboarding
has emerged as
a transformative
regulatory tool. CNBV
issued a substantial
amendment to its
onboarding rules,
authorizing legal
entities to open remote

accounts with high transaction thresholds, previously a process restricted to physical channels.

This policy shift serves several strategic goals: (i) Reducing geographic and administrative barriers for micro, small, and medium-sized businesses; (ii) Enhancing competitiveness in the banking segment; (iii) encouraging broader usage of electronic payments and digital credit services.

From a regulatory compliance perspective, this development imposes significant obligations on banks. Institutions must update their Know Your Customer (KYC) protocols to accommodate remote verification of legal entities, including documentation on beneficial ownership, tax status, legal representatives, and operating address.

Under the AML/CFT general provisions applicable to banks and other regulated financial institutions, financial institutions are required to implement: (i) Enhanced due diligence procedures for high-risk clients; (ii) Biometric and document validation systems, and (iii) audit trails and real-time monitoring of transactional behavior.

Legal exposure arises primarily in the areas of fraud liability, data privacy, and identity theft. Digital channels, by their nature, are susceptible to impersonation attacks, unauthorized access, and submission of falsified documentation. Consequently, banks and other financial institutions, must invest heavily in technological infrastructure and legal risk management, including contractual limitations of liability, insurance coverage, and regulatory reporting systems.

Despite these risks, the reform aligns with international financial inclusion best practices, including World Bank and G20 guidelines. It demonstrates a commitment to inclusive digital transformation without compromising regulatory integrity.

IV. Looking Ahead: Strategic and Legal Implications

The regulatory developments of 2024–2025 present a mixed picture for Mexican banks and financial intermediaries. While the reforms enhance legal clarity, promote innovation, and align Mexico with international norms, they also impose substantial compliance burdens, particularly for smaller and regional institutions, with the following challenges:





Virtual Asset Fragmentation: The absence of a unified legal regime for cryptocurrencies creates legal uncertainty and competitive asymmetries between regulated and unregulated entities.

Implementation Costs: Upgrading AML systems, onboarding infrastructure, and cybersecurity defenses require significant capital expenditures, difficult for smaller banks to absorb.

Regulatory Overlap: Ambiguities persist in the division of responsibilities between the CNBV, Banxico, and SHCP, especially regarding ESG compliance and operational resilience rules.

On the other hand, the regulatory development promote the following opportunities for the banking sector, such as:

First-Mover Advantage in Fintech: Banks with fintech subsidiaries or partnerships can leverage the digital onboarding reforms to enter high-growth segments, embedded finance, and digital wallets.

Market Differentiation via Compliance: Institutions with strong legal departments and compliance frameworks can turn regulation into a competitive edge.

Cross-Border Potential: Harmonization with international repo and AML standards facilitates participation in global financial markets.

As Mexico continues to refine its banking regulations, 2025 emerges as a year of legal adaptation and institutional modernization. The SHCP is expected to release guidelines on sustainable finance disclosures, while Banxico is anticipated to update its position on stablecoins and digital tokens. These developments will likely shape capital markets, digital finance, and the overall trajectory of financial regulation into 2026 and beyond.

Conclusion: Navigating Complexity with Confidence

Mexico's recent regulatory trajectory signals a deliberate and strategic evolution of its financial sector. The reforms enacted between 2024 and 2025 reflect an integrated vision of a financial system that is more inclusive, technologically adaptive, globally aligned, and legally robust. These developments, while ambitious in scope, must now be tested through practical implementation, institutional response, and ultimately, market outcomes.

The updates to Fintech Law and Banxico's virtual asset framework underscore a broader global trend: regulators

are increasingly called upon to reconcile the rapid pace of technological innovation with the slower rhythm of legislative and institutional adaptation.

On the one hand, it is a regional leader in fintech regulation, having introduced one of the world's first comprehensive fintech laws. On the



Mexico's 2024–2025 regulatory reforms signal a strategic evolution, balancing technological innovation with financial stability, though challenges like virtual asset fragmentation and implementation costs remain.

other hand, its framework remains piecemeal in certain critical areas, particularly with respect to virtual assets, decentralized finance, open banking and artificial intelligence in financial services. The regulatory asymmetry between authorized financial institutions and unregulated market participants must eventually be addressed through either legislative reform or enhanced administrative coordination among the CNBV, Banxico, and SHCP.





Meanwhile, the repo market modernization through Circular 7/2024 reflects a deeper understanding of the legal and operational risks embedded in short-term liquidity markets. As the global financial system becomes increasingly interconnected, legal certainty in collateral operations, netting arrangements, and insolvency protections is not merely a technical detail, but it is essential to systemic resilience. By enhancing enforceability and aligning repo practices with international standards, Mexico is positioning itself as a credible and attractive jurisdiction for institutional investors and cross-border market participants.

In the area of financial inclusion, the shift toward digital onboarding of legal entities is not only a regulatory milestone but also a socioeconomic imperative. Financial



The 2024–2025 reforms position

Mexico as a competitive
financial hub by enhancing
repo market resilience and
digital inclusion, though
success hinges on navigating
legal complexities
and enforcement.

exclusion has long been a barrier to growth for Mexican micro, small, and medium-sized businesses, many of which operate in the informal sector and lack access to credit or transactional services. By reducing onboarding friction and embracing remote verification tools, the CNBV's reform

opens pathways for broader economic participation and formalization, that are key goals for long-term development.

However, these opportunities bring with them a range of legal and operational challenges. The move to digital platforms raises concerns around identity verification, data protection, and fraud liability. Financial institutions must invest in more sophisticated compliance infrastructure, including biometrics, machine-learning risk models, and real-time transaction monitoring. They must also adapt their internal governance frameworks to align with evolving expectations in regulatory technology (RegTech), privacy law, and operational risk management.

The future of virtual assets in Mexico will depend on Banxico's evolving position. Should the central bank expand permissible use cases, such as tokenized deposits, central bank digital currencies, or regulated stablecoins, then the legal community must be prepared to address new forms of financial intermediation and cross-border regulatory conflict. Issues related to financial sovereignty, cybersecurity, consumer protection, and interoperability with foreign regulatory regimes will come to the forefront.

Finally, enforcement and judicial interpretation will define the true effectiveness of these reforms. While circulars, laws, and administrative guidelines establish the formal regulatory framework, it is through judicial rulings, enforcement actions by the CNBV, and internal compliance audits that the legal landscape will crystallize. Lawyers, both in-house and in private practice, will be essential in this phase, interpreting ambiguities, defending enforcement actions, and ensuring that innovation does not compromise legal certainty.

In conclusion, 2025 marks a critical inflection point for the Mexican financial sector. The legal and regulatory environment is becoming more sophisticated, but also more demanding. Financial entities must not only comply with a growing body of norms but also engage with regulators, anticipate legislative trends, and integrate compliance as a core component of strategic planning.

This convergence of innovation and regulation presents an unprecedented opportunity for Mexico. If managed prudently, these reforms can enhance competitiveness, attract investment, and build a financial system that is more inclusive, resilient, and aligned with the demands of the 21st century. For legal professionals, this is a defining moment, where the ability to navigate complexity, mitigate risk, and shape legal frameworks will not only add value but also contribute meaningfully to Mexico's financial transformation.



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