

# Proposal for Reform of the LFPIORPI and CPF to Enhance Anti-Money Laundering and Combating Financing Terrorism Efforts

On October 29, 2024, Mexican Senator Javier Corral of the dominant party's bench presented a bill proposal for extensive reforms to the Federal Law for the Prevention and Identification of Operations with Illicit Proceeds (LFPIORPI, for its acronym in Spanish) and the Federal Penal Code (CPF, for its acronym in Spanish). This initiative is part of Mexico's ongoing effort to align its financial regulations with the recommendations of the Financial Action Task Force (FATF), particularly in preparation for the upcoming 2025 mutual evaluations.

## Key Highlights of the Proposed Reforms:

- 1. Inclusion of Terrorism Financing:** The proposal aims to explicitly add anti-terrorism financing provisions into the LFPIORPI, alongside existing anti-money laundering (AML) regulations.
- 2. Enhanced Powers for the Financial Intelligence Unit (UIF):** The reform includes provisions to expand the UIF's authority to access information related to Politically Exposed Persons (PEP) and other obligated parties.

Additionally, the proposal establishes the UIF's status of victim or offended party in the criminal proceedings for transactions involving illicit resources.

- 3. Transparency and Identification of Beneficial Owners:** The initiative mandates the registration of beneficial owners in corporate entities and requires prompt reporting of any changes in ownership. Moreover, the bill introduces a precise definition of "Controlling Beneficiary" in the LFPIORPI, and lowering the identifying threshold of ownership from 50% to 25%.

Commercial entities would be required to identify and register their Controlling Beneficiaries through an electronic system managed by the Mexican Ministry of Economy. This Controlling Beneficiary registry supplements the current shareholder update notice with the Mexican Tax Administration Service (SAT, for its acronym in Spanish). However, unlike the Mexican Law of Business Corporations, the LFPIORPI establishes penalties for non-compliance of this registry with fines ranging from 2,000 and up to 10,000 times the UMA (*Unidad de Medida y Actualización y Actualización*).

- 4. New Obligations and Broadened Scope:** The list of vulnerable activities under LFPIORPI would expand to include virtual asset exchanges carried out with Mexican nationals from another jurisdiction. Furthermore, the proposal includes the duty to comply with the "travel rule"; that is the collection and provision of information on asset transactions, including details of the originator, the recipient and, if applicable, the Controlling Beneficial Owner.

Additionally, the obligations set forth in Article 18 of the LFPIORPI would be modified as follows:

- a) Identification and knowledge. Section I would broaden its scope to include, not only the identification of clients or users but also the direct obligation to know them personally.
- b) Documentation. Section III would require obtaining documentation to identify the Controlling Beneficiary of clients or users who are legal entities, trusts, or other legal figures, regardless of whether they have such documentation available. For individual clients or users, a statement would be obtained regarding whether they know of the existence of a Controlling Beneficiary and, if so, the relevant documentation to identify them.
- c) Recordkeeping Requirements. Section IV would specify which supporting information must be retained by those conducting vulnerable activities (records of transactions to reconstruct individual operations, commercial correspondence, and results of preliminary analyses performed).
- d) 24-Hour Notices. Section VI would include the requirement to file 24-hour notices in accordance with guidelines issued by the authority and general rules.
- e) Risk-Based Evaluation (RBE). A new Section VII would introduce the requirement to conduct a risk-based evaluation, in line with general rules, to identify, analyze, understand, and mitigate risks for both the obligated parties and their clients or users.
- f) Internal Policies Manual and Automated Monitoring. New Sections VIII and X require those performing vulnerable activities to prepare an internal policies manual containing criteria, measures, and procedures to comply with legal obligations. Additionally, they must establish automated systems to continuously monitor client or user operations to detect those outside their transactional profile.

In addition, if obligated parties are part of a corporate group, they would be required to implement policies applicable to all subsidiaries and majority-owned branches, including foreign entities, to prevent money laundering and terrorism financing.

- g) Personnel Selection and Training. A new Section IX would introduce the obligation to develop personnel selection processes and adopt annual training programs for board members, executives, compliance officers, and employees with direct client or user contact.
  - h) Internal and External Audits. Section XI would require an internal audit area or external auditor to review the effectiveness of compliance with the law and related regulations on an annual basis if the risk level of the entity conducting vulnerable activities is high.
5. **Introduction of New Vulnerable Activities in Real Estate Sector:** The proposal introduces Section V Bis in Article 17, which classifies as a vulnerable activity the receipt of resources intended for real estate development aimed at sale or rental. This measure expands the law's reach to cover both the transactions and the financing stages of real estate developments, focusing on higher-risk operations.
6. **Compliance Requirements for Compliance Officers:** New requirements would be introduced for Compliance Representative Officers (similar to Money Laundering Reporting Officers), such as holding general powers of attorney for administrative acts and receiving annual training to meet the obligations under the LFPIORPI.

7. **Updated Sanctions and Compliance Requirements:** Proposed updates include increased sanctions for non-compliance, allowing revocation of permits for serious infractions and penalties in line with the severity of violations. The reform additionally removes intent requirements for certain infractions, thus broadening the scope of accountability.

The reform initiative seeks to reflect Mexico's commitment to enhancing its AML/CTF framework. If approved, it is expected to increase the effectiveness of Mexico's legal framework in the prevention and combatting of these crimes, harmonizing national legislation with FATF recommendations, especially as the upcoming fifth round of FATF mutual evaluations will emphasize effectiveness and encourage countries to adopt more robust measures.

If you have questions regarding the implications of this reform proposal or require assistance with AML/CTF compliance, our legal team is available to provide guidance.

**Luis Burgueño, Partner:**

+52 (55) 5258 1003 | [lburgueno@vwys.com.mx](mailto:lburgueno@vwys.com.mx)

**Alberto Cordoba, Partner:**

+52 (55) 5258 1016 | [acordoba@vwys.com.mx](mailto:acordoba@vwys.com.mx)

**Diego Sierra, Partner:**

+52 (55) 5258 1039 | [dsierra@vwys.com.mx](mailto:dsierra@vwys.com.mx)

**Raymundo Soberanis, Partner:**

+52 (55) 5258 1059 | [rsoberanis@vwys.com.mx](mailto:rsoberanis@vwys.com.mx)

**Ricardo Cacho, Counsel:**

+52 (55) 5258 1000 | [rcacho@vwys.com.mx](mailto:rcacho@vwys.com.mx)

**Max Morales, Associate:**

+52 (55) 5258 1014 | [mmorales@vwys.com.mx](mailto:mmorales@vwys.com.mx)

S I N C E R E L Y

VON WOBESER Y SIERRA, S.C.

Mexico City, October 31, 2024.

*The information contained in this note does not constitute, nor is it intended to constitute, nor shall be construed as legal advice on the topic or subject matter covered herein. This note is intended for general informational purposes only. To obtain legal advice on a particular matter in connection with this topic, please contact one of our attorneys referred to herein.*



VON WOBESER Y SIERRA, S.C.

Paseo de los Tamarindos 60, 05120 Mexico City

+52 (55) 5258 1000

[vonwobeser.com](http://vonwobeser.com)