

LEGAL NOTE

October, 2013

To: Clients and Friends

Re: Federal Law on the Prevention and Identification of Operations from Illicit Sources

On July 17, 2013 the Federal Law on the Prevention and Identification of Operations from Illicit Sources, published in the Official Gazette of the Federation on October 17, 2012 (the "Law") entered into force. On November 1st, 2013 the Regulations and the General Rules of the Law entered into force.

Scope of the Law

Protect the financial system and the national economy to prevent and detect transactions involving illegal proceeds, and to prosecute the financial structures of the criminal organizations, as well as their financing, establishing measures and procedures to prevent and detect operations that are related to illicit sources, through inter-institutional coordination.

Enforcement Agencies

The competent authorities to enforce the Law are the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*; "SHCP"), the Tax Administration Service (*Servicios de Administración Tributaria*) and General Attorney's Office (*Procuraduría General de la República*) together with the Federation, States and Municipalities.

Persons bound to comply with the Law

All the individuals or legal entities that undertake any of the Vulnerable Activities with clients.

Vulnerable Activities

The Law considers Vulnerable Activities the following:

- Issuance on a regular and professional basis and the commercialization of service or credit cards or prepaid cards, and any other monetary instruments different to the ones issued or commercialized by financial institutions.
- Regular or professional offering of civil loans or guaranty transactions, or the execution of loans or credits by persons other than financial institutions
- Construction services or real estate property development services or the ones related to transfers of real estate or creation of rights over such assets on a regular and professional basis.
- Commercialization of precious metals and stones, jewels, watches or art.
- Sale of aircraft, vessels or cars, new or used.

- Professional services of custody and transportation of money and valuables.
- Professional services, notarial services and customs services.
- Donations to not-for-profit organizations.
- Creation of personal rights (lease) over real estate property.

Main Obligations

To identify the clients who undertake Vulnerable Activities, and verify their identity. To comply with the following:

- Guard, protect and avoid the destruction or hiding of information and documents that support (proof) the Vulnerable Activity, and of that data useful to identify the clients.
- Submit notices to the Authorities in time and form provided by the Law in connection to the Vulnerable Activities.
- Name a legal representative before the SHCP.
- Stop performing any act or operation that is considered as Vulnerable Activity, whenever their clients deny providing information or documentation to comply with this Law.

For purposes of the above, the individuals or legal entities shall have to modify their administration structure, create manuals and intern policies, train their employees and create campaigns to alert their clients.

Use of Cash

The Law forbids to pay with or accept as payment for acts or transactions cash, foreign currencies or metals, in the following cases (subject to certain thresholds established in the Law):

- Creation or transmission of rights in real estate property.
- Property transfers or creation of rights on new or used vehicles, whether aerial, maritime or land
- Property transfers of watches, jewelry or precious metals and stones, either by piece or lot, and art work.
- Acquisition of tickets that allow the participation in gambling, contests or raffles, as well as the payment of prizes for the participation in such gambling, contests or raffles.
- Professional services for the shielding of new or used vehicles, whether aircraft, vessels or cars, or for real estate property.
- Transmission of ownership or creation of rights of any nature over partnership interests or stock certificates.
- Creation of the right to use and enjoy any real estate property, new or used vehicles, whether aircraft, vessels or cars, and the shielding of such vehicles.

Administrative and Criminal Sanctions

The SHCP may verify, at any time, the compliance with the obligations provided in the Law through verification visits, to those who perform Vulnerable Activities. The SHCP will impose administrative sanction to those who breach the Law and it will be required a previous accusation by the authorities or a criminal complaint by the person whose identity has been revealed or published, to proceed with criminal law against the persons that are involved in the committing of any of the crimes provides by the Law. Public notaries, public brokers (*corredores públicos*) and customs agents may lose their license if the not comply with their obligations in terms of the Law.

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