

# Banco de México Law

## Nature, Objectives and Functions

### Chapter I

ARTICLE 1.- The Central Bank shall be a legal entity subject to public law, autonomous in nature, and shall be named Banco de México. Its functions and administration shall be regulated by the provisions of this Law, regulatory of Paragraphs Six and Seven of Article 28 of the Political Constitution of the United Mexican States.

ARTICLE 2.- The Banco de México's purpose shall be to provide the country's economy with domestic currency. In pursuing this purpose, its primary objective shall be to seek the stability of the purchasing power of said currency. The Bank shall also have the purpose of promoting the sound development of the financial system and fostering the proper functioning of payment systems.

ARTICLE 3.- The Bank shall perform the following functions:

I. Regulate the issuance and circulation of currency, foreign currency exchange, financial intermediation and services, as well as payment systems;

II. Operate as reserve bank and lender of last resort for credit institutions;

III. Provide treasury services to the Federal Government and act as its financial agent;

IV. Counsel the Federal Government on economic and, particularly, financial issues;

V. Participate in the International Monetary Fund and other international financial cooperation institutions, as well as those embodying central banks, and

VI. Operate with the institutions referred to in Section V above, with central banks and with other foreign legal entities performing functions of authority in financial issues.

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### Chapter II

#### Issuance and Circulation of Currency

ARTICLE 4.- Banco de México shall be the sole agency authorized to issue bank notes and order the minting of metallic coins, as well as to put into circulation both types of currency through the operations provided for herein.

ARTICLE 5.- Bank notes issued by Banco de México shall bear: the denomination both in numerals and in writing; the serial and number; the date of the corresponding issuance agreement; the facsimile signatures of a member of the Board of Governors and of the Chief Cashier; the legend "Banco de México", and such other features as the Bank may specify.

The Bank is entitled to print its own bank notes or entrust their printing to third parties.

ARTICLE 6.- The Bank shall, either directly or through its correspondents, exchange the bank

notes and metallic coins put in circulation for other bank notes or coins of the same or different denominations on demand and without limit and as per the bearer's instructions.

Should the Bank or its correspondents lack enough bank notes or metallic coins of the requested denominations, the aforementioned obligation may be fulfilled by giving bank notes or metallic coins of the available denominations closest to those requested.

The metallic coins referred to in [Article 62 Section II](#) are excluded from the provisions of this article.

In fulfilling its exchange obligation vis-à-vis credit institutions, the Bank may give them denominations of bank notes or metallic coins whose increased circulation the Bank deems adequate to facilitate payments.

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## **Chapter III**

### **Operations**

ARTICLE 7.-Banco de México shall be entitled to perform the following activities:

I. Deal with securities;

II. Grant credit to the Federal Government, to credit institutions and to the Institute for Protection of Bank Depositors;  
(Modified in the Official Gazette of the Federation published on January 19, 1999).

III. Grant credit to the legal entities referred to in [Article 3 Section VI](#),

IV. Make deposits in either domestic or foreign credit institutions or security depository institutions;

V. Purchase those securities provided for in [Article 20 Section II](#), issued by international financial institutions or legal entities with foreign domiciles;

VI. Issue monetary regulation bonds;

VII. Receive money bank deposits from the Federal Government, domestic and foreign financial institutions, public economic development trusts and those referred to in [Section XI](#) below, securities depository institutions, and entities of the federal public administration, when so established by law;

VIII. Receive money bank deposits from the legal entities referred to in [Article 3 Section VI](#);

IX. Obtain credit from the legal entities referred to in [Article 3 Section VI](#) and from foreign financial institutions, with the sole purpose of foreign exchange regulation;

X. Carry out transactions involving foreign currency, gold and silver, including repurchase agreements;

XI. Act as trustee when appointed by law or with respect to trusts whose aim is to contribute to the fulfillment of the Bank's own functions or which have been established by the Bank to fulfill its own labor-related obligations, and

XII. Receive deposits of securities, either for their safekeeping or for their administration, from the legal entities referred to in [Sections VII and VIII](#) above. The Bank may also receive

deposits of other financial instruments from the Federal Government.

The Bank may only perform the acts explicitly provided for in this Law or those related thereto.

ARTICLE 8o.- At the time of contracting the operations referred to in [Article 7](#), the Bank must abide by prevailing market conditions, except in those cases when operations, by their nature, have no market quotation.

Additionally, operations involving securities performed by the Central Bank, except those set forth in Article 7 Sections [IV](#), [V](#) and [XII](#), and in [Article 9 Section I](#), shall be exclusively executed through auctions of securities that are payable by the Federal Government, credit institutions or the Bank itself.

ARTICLE 9o.- Banco de México shall not lend securities to the Federal Government nor purchase securities from it, except when purchases of securities that are payable by the Government comply with one of the two following conditions:

I When said purchases are covered by cash deposits, made by the Government in the Bank with the proceeds of the placement of said securities, and which may not be withdrawn before their maturity date; the amounts, terms and yield on these deposits must be equal to the amounts, terms and yield of the securities being traded; or

II. When purchases of securities result from bids by the Bank in primary auctions of said securities. The amount of these purchases may under no circumstance exceed the amounts of securities payable by the Government, owned by the Bank and redeemable on the same date of placement of the securities being auctioned.

ARTICLE 10.- Only the Central Bank may act as the Federal Government's agent in issuing, placing, purchasing and selling Government domestic debt securities and, in general, in servicing said debt.

ARTICLE 11.- Banco de México may grant credit to the Federal Government only through the current account the Federal Treasury holds in the Bank, and subject to provisions of [Article 12](#). For the purposes of this Law, securities payable by the Federal Government and owned by the Central Bank are not considered as credit.

ARTICLE 12.- Banco de México shall carry a current account for the Federal Treasury which will be managed according to the terms agreed to by both parties and in all cases according to the following:

I. Debits from or credits to this account shall be made only under direct order from the Federal Treasurer to the Bank. The Bank must receive said order at least one banking business day before the date the respective debit or credit must be made;

II. Banco de México may, without authorization of the Federal Treasurer, charge the account in order to cover the service on the domestic debt of the Federal Government;

III. No checks or any other documents payable to third parties may be drawn on this account, and

IV. Should the Federal Government's balance in the current account be negative, said balance must never exceed the equivalent of 1.5 percent of the Federal Government's expenses as laid out in the Federal Expense Budget for the corresponding year, not taking outlays destined to amortize the Government's debt into consideration; this provision may be void if, due to extraordinary circumstances, the temporary differences between public revenues and expenses increase considerably.

Should the negative balance of the account exceed the aforementioned limit, the Bank must proceed to place securities payable by the Federal Government on the market, on behalf of the Government and for an amount equivalent to the balance in excess of the limit. If necessary or appropriate, the Bank, again on behalf of the Federal Government, shall issue securities payable by the Government and place them on the market. In determining the characteristics of the placement and, if necessary, the issuance, the Bank shall seek the best possible terms for the Government as the market allows.

The Bank must place the aforementioned securities within fifteen business days from the date on which the limit is exceeded, and offset the excess credit with the proceeds of the corresponding placement. In exceptional cases, if it helps to prevent disruptions in the financial market, the Board of Governors of the Bank may extend that term, in one or more instances, for a total duration of no longer than three months.

ARTICLE 13.- In cases when established by law that Banco de México must make contributions to international financial institutions, the Federal Government will provide the Bank with the respective funds in a timely manner. Nevertheless, payment of contributions to the International Monetary Fund shall be made with Banco de México's own resources.

ARTICLE 14.- Any operation carried out by Banco de México vis-à-vis credit institutions shall be effected either through auctions or according to the provisions issued by the Bank.

Financing granted by the Central Bank to credit institutions, whether by means of granting credit or purchasing securities, can only be for the purpose of monetary regulation.

ARTICLE 15.- Provisions in [Article 8 Paragraph Two](#) and [Article 14](#), will not apply to financing the Central Bank may grant credit institutions in order to prevent disruptions in the payment systems, nor to operations effected by the Bank as lender of last resort.

ARTICLE 16.- Financing granted by Banco de México to credit institutions shall be guaranteed by deposits of money and securities that said institutions have at the Central Bank. As the aforementioned financing becomes due, the Bank is entitled to debit the corresponding amounts from the accounts in which the money deposits have been recorded.

ARTICULO 17.- Monetary regulation bonds issued by Banco de México shall be securities, nominative or payable to the bearer, and shall have such other characteristics as the Bank may determine; said securities must remain deposited in the Bank for their administration whenever the Bank so decides.

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## **Chapter IV**

### **International Reserves and the Exchange Rate Regime**

ARTICLE 18.- Banco de México shall maintain a reserve of international assets aimed at supporting the stability of the purchasing power of the domestic currency by offsetting imbalances between the country's foreign currency receipts and disbursements.

ARTICLE 19.- The reserve provided for in the previous article shall be composed of:

I. The foreign currency and gold, property of the Central Bank, that are free of all lien and whose availability is not subject to any restriction;

II. The amounts resulting from the difference between Mexico's participation in the International Monetary Fund and the balance of unpaid contributions to said institution that are payable by the Bank, when this balance is less than the aforementioned participation, and

III. The foreign currency procured through financing obtained for exchange regulatory purposes from the legal entities referred to in [Article 3 Section VI](#)

To determine the amount of the reserve, the foreign currency not yet received from the sale of domestic currency will not be taken into consideration; and the Bank's liabilities in foreign currency and gold, except for those liabilities with maturities over six months and those corresponding to the financing referred to in Section III of this article, will be deducted.

ARTICLE 20.- Pursuant to this Law, the term foreign currency includes: foreign bank notes and metallic coins, bank deposits, negotiable instruments, securities and all types of credit documents payable abroad and denominated in foreign currency, as well as international means of payment in general.

The foreign currency qualified to be part of the reserve is only the following:

I. Foreign bank notes and metallic coins;

II. Deposits, negotiable instruments, securities and other liabilities payable outside national territory that are considered to be first rate in international markets, denominated in foreign currency, and payable by international financial institutions, foreign entities and governments other than the Mexican Government, provided they are highly liquid or redeemable within a term no longer than six months;

III. Credits payable by central banks, redeemable within a term no longer than six months, and which are current, and

IV. The special drawing rights issued by the International Monetary Fund.

ARTICLE 21.- In foreign exchange rate matters, Banco de México shall act in accordance with the guidelines established by the Exchange Commission, which will be made up of the Secretary and Undersecretary of Finance and Public Credit, another Undersecretary of said Ministry appointed by the corresponding Secretary, the Governor of the Bank and two more members of the Board of Governors designated by the Governor. Members of the Commission shall not have alternates.

Sessions of the Commission will be presided over by the Secretary of Finance and Public Credit, in his absence by the Governor and, in the absence of both by the Undersecretary appointed by the aforementioned Secretary. The officer presiding over the session will have the decisive vote in case of tie.

The Commission may assemble any time when summoned by the Secretary of Finance and Public Credit or by the Governor. At least three of its members must be present for any session to take place, provided that both the Ministry of Finance and Public Credit and Banco de México are represented. Resolutions of the Commission will be made by majority vote, with at least one favorable vote from one of the representatives of the aforementioned Ministry being required in all cases.

The Governor will inform the Board of Governors on said resolutions.

The secretary of the Board of Governors and his alternate will also function in these capacities on the Exchange Commission.

ARTICLE 22.- The Commission shall be entitled to:

I. Authorize the procurement of the credits referred to in [Article 7 Section IX](#);

II. Establish the criteria that will govern the Bank with regard to the implementation of its functions as described in Articles [32](#), [34](#) and [35](#), as well as in [Article 33](#) concerning development banks, and

III. Establish guidelines for the management and valuation of the reserve referred to in [Article 18](#).

ARTICLE 23.- In pursuing its primary objective, Banco de México may offset any increase in the amount of currency in circulation or in its on demand liabilities resulting from acquisitions of foreign currency made pursuant to the guidelines referred to in [Article 21](#), by placing or, if necessary, issuing securities payable by the Federal Government under the terms established in [Article 12 Section IV](#) Paragraph Two. Said placements on account of the Federal Government can only be effected if the amount of securities payable by the Federal Government and held by the Bank as part of its assets is equal or less than the amount of deposits referred to in [Article 9 Section I](#), and if the Bank does not have any other highly tradable securities available. Upon effecting the placement, the Bank will deposit the proceeds thereof into a non-interest bearing account in favor of the Government. The deposited funds will be returned to the Government at the time of, and in the amount equivalent to, the net sales of foreign currency that the Bank may effect which imply a decrease in the circulation of currency or in the amount of on demand liabilities payable by the Bank.

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## **Chapter V**

### **Issuance of Regulations and Sanctions**

ARTICLE 24.- Banco de México shall be entitled to issue regulations for the sole objectives of monetary or exchange control, the sound development of the financial system and of the payment system, or the protection of public interest. When issuing its regulations, the Bank must indicate the reasons for doing so.

Said regulations must be of general applicability, and may be pertinent to one or several types of intermediaries, to certain types of operations, regions or locations.

Sanctions imposed by the Bank pursuant to provisions of Articles [27](#), [29](#) and [33](#) must be aimed at preserving the effectiveness of the public-order regulations established herein and, thus, provide for the fulfillment of the objectives mentioned in the Paragraph One of this article.

ARTICLE 25.- Banco de México shall determine the conditions under which credit institutions must exchange and withdraw bank notes and metallic coins in circulation.

ARTICLE 26.- The characteristics of operations in which credit institutions become creditors or debtors, as well as service operations and granting of credit, loans and repurchase agreements effected by stock exchange intermediaries, shall adhere to the regulations issued by the Central Bank.

The provisions of this article shall also apply to trusts, mandates and commissions of stock exchange intermediaries and insurance and bonding companies.

ARTICLE 27.- Banco de México shall be entitled to impose fines on financial intermediaries as a result of operations in which they become creditors or debtors as well as service operations

provided in contravention of the provisions of this Law or in violation of regulations issued by the Bank. Said fines can be up to the equivalent of an annual interest rate of up to one hundred percent of the average percentage cost of term-deposits (costo porcentual promedio de captación) -which the Bank estimates and publishes in the Official Gazette of the Federation (Diario Oficial de la Federación) as representing the average percentage cost of term-deposits for all credit institutions and for the month or months during which said operations are in force- applied on the amount of the corresponding operations and for the length of time during which said operations remain in force.

The Bank will establish the fines referred to in the previous paragraph taking into consideration the following:

- I. The amount of profit obtained by said intermediaries from operations effected while infringing the aforementioned regulations;
- II. The risks incurred by the intermediaries as a result of having effected said operations, and
- III. Whether the transgressor has relapsed.

ARTICLE 28.- Banco de México is entitled to determine the portion of credit institutions' liabilities that must be invested in cash deposits in the Central Bank, bearing interest or not, in highly tradable securities, or in both types of investments.

The previous paragraph will also apply to trusts, mandates and commissions, except for those constituted by the Federal Government, through which fiduciary institutions take deposits from the public or receive funds for the purpose of granting credit or investing in securities.

The mandatory investments referred to in Paragraphs One and Two of this article cannot exceed twenty and fifty percent, respectively, of the corresponding liabilities or funds.

The Bank can also determine that up to one hundred percent of the resources taken in deposit by credit institutions for specific purposes, or in accordance with special regimes provided by law, remain invested in certain types of assets congruent with said purposes or regimes.

ARTICLE 29.- Banco de México can impose fines on financial intermediaries for recording shortages in the investments that must be maintained pursuant to provisions in [Article 28](#). The amount of said fines cannot exceed the equivalent of an annual interest rate of up to three hundred percent of the average percentage cost of term-deposits -which the Bank estimates and publishes in the Official Gazette of the Federation as representing the average percentage cost of term-deposits for all credit institutions and for the month or months during which said operations are in force- applied on the amount of the corresponding shortages.

The Bank will set the fines referred to in the previous paragraph taking into account the causes originating said shortages, particularly whether the shortages are the result of anomalous withdrawals of funds, the critical state of intermediaries, or administrative errors or omissions, which should not have been committed in bad faith as per the judgment of the Bank.

ARTICLE 30.- The representatives of the Bank at meetings of the Boards of the supervisory commissions for the financial system will be entitled to suspend the implementation of resolutions adopted by said commissions for up to five business days, if these resolutions may affect monetary policy. Within this period of time, the Bank must inform the respective Board of its comments so that the Board may make a final resolution.

Resolutions adopted by competent authorities regarding mutual funds' purchases of securities payable by the Federal Government or by Banco de México must be approved by the Central Bank prior to their implementation.



ARTICLE 31.- The Central Bank can regulate fund transfer services provided by credit institutions and by other companies professionally dedicated to providing such services.

ARTICLE 32.- Credit institutions, stock exchange intermediaries, foreign exchange firms, as well as other intermediaries existing as part of financial groups or subsidiaries of the aforementioned institutions or stock exchange intermediaries, will conduct their operations with foreign currency, gold and silver as per the regulations issued by Banco de México. On equal terms, the Bank will have right of preference over any other person or legal entity with regard to purchases, sales and other types of operations usually carried out in their respective markets.

Whenever the Bank so disposes, the aforementioned intermediaries will be obliged to make on demand money deposits, in favor of the Bank and payable by first rate foreign institutions, denominated in the foreign exchange normally used by the Bank to intervene in the foreign exchange market, for the amounts in which said intermediaries' assets in foreign currency, gold and silver exceed their respective liabilities in the same denominations. The Bank will credit, in the intermediaries' accounts, the domestic currency equivalent of said deposits, computed using the exchange rate published by the Bank in the Official Gazette of the Federation for the date on which the respective resolution is issued. Foreign currencies other than that referred to above, as well as gold and silver, will be valued as per regulations issued by the Bank, which shall reflect the prevailing market conditions on the corresponding date.

Taking the seriousness of each case into consideration, the Bank can order those financial intermediaries that infringe the provisions of this article to suspend, for up to six months, all or some of their operations in foreign currencies, gold and silver.

ARTICLE 33.- Banco de México shall be entitled to establish limits on the value of operations in which the intermediaries mentioned in [Article 32](#) become creditors or debtors when these operations involve foreign exchange risks.

The Bank can impose fines on those financial intermediaries that infringe regulations issued pursuant to the previous paragraph; said fines can be for up to the equivalent of five percent of the paid-in equity and capital reserves of the concerned intermediary.

The Bank shall establish the fines referred to in the previous paragraph taking into consideration the provisions of [Article 27 Sections I to III](#).

ARTICLE 34.- The agencies and entities of the Federal Public Administration which are not financial intermediaries must maintain their holdings of foreign currency, and effect foreign currency transactions, as per the regulations, guidelines and policies set forth by Banco de México. For this purpose, they will provide the Bank with the information the latter may request regarding their foreign currency operations. Said agencies and entities must also sell their holdings of foreign currency to the Bank in accordance with regulations issued by the latter, which shall reflect prevailing market conditions.

ARTICLE 35.- Banco de México will issue regulations according to which the exchange rate or exchange rates will be determined for the purpose of settling, in domestic currency, liabilities denominated in foreign currency, contracted within the national territory or abroad and payable within the national territory. Likewise, the Bank is entitled to establish the exchange rates applicable to operations where domestic currency is exchanged for foreign currency, as long as any of the currencies is furnished within the national territory.

ARTICLE 36.- Financial intermediaries must provide Banco de México with the information the latter may request on their operations, even regarding some of their operations or one in particular, as well as the data necessary to evaluate their financial situation and, in general, all information required by the Bank to adequately perform its functions.



Upon request by Banco de México, the supervisory commissions for the financial system will perform visitations at the intermediaries' facilities in order to review, verify and evaluate the information provided pursuant to the provisions of the previous paragraph. Personnel from the Bank may participate in such visitations.

ARTICLE 37.- Banco de México can suspend all or some of its operations vis-à-vis those financial intermediaries which infringe this Law or the regulations resulting thereof.

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## **Chapter VI**

### **Government and Supervision**

ARTICLE 38.- The performance of the functions and the administration of Banco de México shall be entrusted, within their respective spheres of duty, to a Board of Governors and a Governor.

The Board of Governors shall be made up of five members, who shall be appointed pursuant to the provisions of Article 28 Paragraph Seven of the Constitution. From among these members, the President of the Republic will appoint the Governor of the Bank, who shall preside over the Board of Governors; the remaining members will be called Deputy Governors.

ARTICLE 39.- To be appointed a member of the Board of Governors, candidates must fulfill the following requirements:

I. Be a Mexican citizen by birth and not acquire any other nationality, with full capacity to exercise his or her politic and civil rights and not older than sixty-five years old as of the starting date of his or her term in office;  
(Modified in the Official Gazette of the Federation published on January 23, 1998).

II. Be of renowned competence in monetary matters, and have held, for at least five years, high-ranking positions within the Mexican financial system or in agencies or institutions with functions of authority on financial matters.

The provisions of the previous paragraph need not be observed for the appointments of two of the five members of the Board; nonetheless, the candidates must in all cases be distinguished professionals in economic, financial or legal matters. None of these two members may be appointed Governor before having completed three years in his or her post as Deputy Governors, and

III. Not having been convicted for willful crimes; nor having been disbarred from trade, or from holding posts, positions or commissions within the public service or the Mexican financial system; nor having been previously dismissed as member of the Board of Governors, except if such dismissal was the result of a physical ailment already overcome.

ARTICLE 40.- The Governor will be appointed for a term of six years and Deputy Governors for eight years. The term of the Governor will start on the first of January of the fourth year of the President of the Republic's term. The terms of the Deputy Governors will be staggered, with one starting every other year on the first of January of the first, third and fifth years of the President's term. The individuals occupying these posts may be appointed members of the Board of Governors for more than one term.

ARTICLE 41.- Vacancies in any post of Deputy Governor will be covered by the new member appointed for the Board of Governors. Should the vacancy be for the post of Governor, the President of the Republic may appoint one of the Deputy Governors already on duty to fill said vacancy, or appoint a new member of the Board of Governors and, after the Board has been constituted, designate the Governor from among its five members. Before the new Governor is

appointed, the Deputy Governor with more seniority will be the Interim Governor of the Bank and will preside over the Board of Governors. Should there be two or more Deputy Governors with the same seniority in the post, the Board of Governors will elect the Interim Governor among themselves.

Members of the Board filling vacancies produced before the termination of ordinary terms will be appointed only for the time remaining until the conclusion of the term of the member being replaced. If upon termination of the Governor's term a Deputy Governor on duty is appointed to the post of Governor, said appointment will be for six years irrespective of the time the appointee had been Deputy Governor.

ARTICLE 42.- The Governor and Deputy Governors must abstain from participating, as representatives of the Bank, in the activities of political parties.

ARTICLE 43.- Members of the Board of Governors may be removed from their posts as a result of:

I. Mental illness, as well as physical affliction preventing the adequate fulfillment of their functions for more than six months;

II. Performing any job, position or commission other than those provided for in Article 28 Paragraph Seven of the Constitution;

III. Stop being a Mexican citizen or fulfilling any of the requirements set forth under [Article 39 Section III](#);

IV. Failure to observe the agreements sanctioned by the Board of Governors or deliberately acting in excess or in dereliction of his duties;

V. Using the confidential information available to him or her as a result of his or her position in his or her own benefit or that of third parties, or disclosing said information without the consent of the Board of Governors;

VI. Knowingly submitting false information for the consideration of the Board of Governors, and

VII. Leaving his or her post without authorization from the Board of Governors or without justified motive, baring force majeure. The Board of Governors cannot authorize leave of absence for more than six months.

The Governor may also be removed for not observing the agreements sanctioned by the Exchange Commission.

ARTICLE 44.- The Board of Governors is entitled to determine whether the conditions for removal mentioned in the previous article have been met upon request by the President of the Republic or by at least two members of the Board. The verdict will be obtained by a majority of votes from the members of the Board of Governors, excluding the vote of the affected party, and after having granted him or her the right to a hearing.

The aforementioned verdict, including the documentary evidence supporting it and the written argumentation the affected party may have presented in his or her own defense, shall be sent to the Federal Executive. The Federal Executive shall in turn send it, together with the aforementioned documentation and the President's considerations on the admissibility or inadmissibility of the removal, to the Senate or, should the latter not be in session, to the Permanent Commission, for a final judgment.

ARTICLE 45.- The Board of Governors may be summoned to meetings by the Governor or by at least two Deputy Governors. At least three Board members must be present at any meeting of the Board. Should the Governor not be present at a meeting, the session will be presided over by the member appointed by the Governor for that purpose or, if no member was

appointed for the task, by the corresponding Deputy Governor as per the procedure set forth under [Article 41 Paragraph One](#).

For resolutions to stand, they must be approved by the majority vote of those members present, except in the case described in [Article 44 Paragraph One](#). The member presiding over the session shall have the decisive vote in case of tie.

Upon having been summoned and informed of the corresponding agenda, the Secretary and Undersecretary of Finance and Public Credit may attend the meetings of the Board of Governors with voice but without vote. These officials may call a Board of Governors meeting and suggest the issues to be addressed during the meeting.

The Board of Governors may call for the presence of Bank officials at its meetings in order that they may directly furnish the information requested from them.

Individuals attending the meetings must maintain the confidentiality of the issues addressed therein, excluding any information to be disclosed upon prior authorization by the Board of Governors.

ARTICLE 46.- The Board of Governors shall be empowered to:

I. Dictate the characteristics of bank notes in accordance with provisions set forth under Article 5, and submit the metallic composition of coins for the consideration of the Ministry of Finance and Public Credit pursuant to the Monetary Act of the United Mexican States (Ley Monetaria de los Estados Unidos Mexicanos);

II. Authorize orders to mint coins and manufacture bank notes;

III. Decide on the demonetization of bank notes and on the procedures to destroy and render currency useless;

IV. Decide on the granting of the Bank's credit to the Federal Government;

V. Establish the Bank's operational policies and guidelines, and determine the characteristics of operations and those operations which, owing to their importance, must be submitted each time to the Board's approval prior to their execution;

VI. Authorize the issuance of monetary regulation bonds and specify the characteristics thereof;

VII. Specify the characteristics of securities payable by the Federal Government and issued by the Bank pursuant to [Article 12 Section IV](#) Paragraph Two, as well as the conditions of placement of such securities and of those other securities referred to in said Paragraph;

VIII. Establish the policies and guidelines according to which the regulations set forth under [Chapter V](#) should be issued, without affecting the powers of the Exchange Commission as set forth in [Article 22](#);

IX. Authorize the statements and reports issued by the Bank and by the members of the Board of Governors on the policies and activities of the Bank;

X. Authorize the financial statements corresponding to each fiscal year as well as the consolidated monthly statements of account;

XI. Prescribe the general rules and guidelines for the preparation and execution of the Bank's current expenditure and physical investment budget, as well as authorize said budget and any modification thereto that may be required throughout the financial year. The Board of Governors shall do the above in observance of the principle that the evolution of said budget

be congruent with that of the Federal Expense Budget;

XII. Issue, subject to the general guidelines set forth in Article 134 of the Constitution, the rules according to which the Bank shall contract the acquisition or sale of movable property, the leasing of all types of goods, the execution of real estate projects, and the procurement of all types of services;

XIII. Decide on the Bank's acquisition or sale of stock or shares of companies providing services to the Bank;

XIV. Authorize the acquisition or sale of real estate property;

XV. Decide on the provisioning of the reserves referred to in [Article 53](#);

XVI. Approve the Bank's Bylaws, which shall be published in the Official Gazette of the Federation;

XVII. Approve the General Labor Conditions that shall govern the relations between the Bank and its personnel, and the Bank's wage scales. Wages earned by the Bank's officials and employees shall not exceed those earned by members of the Board of Governors, except in those cases in which a higher remuneration is required due to market conditions for a given professional specialty;

XVIII. Appoint and remove the secretary to the Board of Governors and his or her alternate, both of whom shall be Bank officials;

XIX. Appoint and remove officials holding the three top hierarchical ranks of the Bank's personnel;

XX. Approve policies for writing off, either totally or partially, liabilities of third parties payable to the Bank when it is evident that the collection of these debts will be impractical or uneconomical for the Institution, and

XXI. Decide on issues submitted by the Governor for the consideration of the Board.

ARTICLE 47.- The Governor of Banco de México shall:

I. Be in charge of the Bank's management, of its legal representation and of the fulfillment of the Bank's functions, without affecting the powers conferred to the Board of Governors by this Law;

II. Carry out the resolutions adopted by the Board of Governors and by the Exchange Commission;

III. Submit the statements and reports issued by the Bank and referred to in [Article 46 Section IX](#), and the documents referred to in Article 46 Sections X, XI, XII, XVI and XVII, for the consideration and, if applicable, for the approval of the Board of Governors;

IV. Act on behalf of the Bank as its legal representative and fiduciary delegate;

V. Be the liaison between the Bank and the Federal Public Administration;

VI. Be the spokesman of the Bank, and able to delegate this function on to the Deputy Governors;

VII. Set up regional councils;

VIII. Decide on the establishment, moving and shutting down of the Bank's branch offices;

IX. Appoint the Deputy Governors who shall perform duties or commissions in representation of the Bank;

X. Appoint and remove the Bank's legal representatives and fiduciary delegates;

XI. Appoint and remove the personnel of the Bank, except for those officials referred to in [Article 46 Section XIX](#), and

XII. Establish, according to the wage scales authorized by the Board of Governors, the wages for the Bank's employees, and authorize the programs for personnel training.

ARTICLE 48.- The functions of the regional councils referred to in [Article 47 Section VII](#) will be to gather, disseminate and consult general information of economic and, particularly, financial nature.

ARTICLE 49.- The remunerations of the Governor of the Bank, as well as those of the Deputy Governors, will be determined by a committee made up of the President of the National Banking Commission and two individuals appointed by the Secretary of Finance and Public Credit. The appointments of these individuals should not represent conflict of interest and they should be renowned for their experience in the labor market pertinent to public and private credit institutions as well as to the corresponding regulatory authority agencies.

The committee shall meet at least once per year and shall make its resolutions by majority vote of its members, who shall have no alternates. In making its resolutions, the committee shall consider the current remunerations at the Bank and the evolution of remunerations in the country's financial system. The criterion guiding the committee's resolutions shall be that, in light of conditions in the aforementioned labor market, the Board of Governors ought to be made up of suitable members and the Bank ought to be able to hire and retain duly qualified employees.

ARTICLE 50.- The Secretary of Finance and Public Credit will request, from an accountants collegiate organization or institute widely representative of the profession, to submit the name of three prestigious accounting firms, from which the Secretary, with the concurrence of the Chamber of Deputies' Finance Accounting Vigilance Commission (Comisión de Vigilancia de la Contaduría Mayor de Hacienda), shall designate the external auditor of the Bank and hire its services on behalf of the Bank. The external auditor may not be hired for periods beyond five years.

The auditor shall be fully empowered to examine and express his or her opinion on the Bank's financial statements, and to review the Bank's accounting and all related documentation. The auditor shall send copies of the reviews submitted to the Board of Governors and a report on the execution of the Bank's current expenditure and physical investment budget to the Federal Executive and to the Congress of the Union.

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## **Chapter VII**

### **General Provisions**

ARTICLE 51.- The Bank shall send, to the Federal Executive and to the Congress of the Union, and during the recesses of the latter to Congress' Permanent Commission, the following:

I. In January of each year, a presentation of the monetary policy to be followed by the Bank during the respective year, as well as a report on the Bank's current expenditure and physical investment budget for the year;

II. In September of each year, a report on the implementation of monetary policy during the first semester of the respective year, and

III. In April of each year, a report on the implementation of monetary policy during the second semester of the previous year and, in general, on the activities of the Bank throughout said year, within the context of the domestic and international economic situation.

ARTICLE 52.- Any of the two Chambers of the Congress of the Union may summon the Governor of the Bank to report on the Bank's policies and activities.

ARTICLE 53.- Banco de México shall, whenever possible, preserve the real value of the sum of its equity plus reserves, and increase said value in accordance with increments in the real gross domestic product. Banco de México may provision reserves in addition to those set forth in this article only when the additional reserves result from the revaluation of the Bank's assets or when the Bank and the Ministry of Finance and Public Credit so agree.

ARTICLE 54.- The Bank's financial year shall begin on the first of January and finish on the thirty-first of December of each year. The Bank must publish the year-end's financial balance sheet and a consolidated statement of accounts for the last day of every month.

ARTICLE 55.- The Bank shall be a non-profit institution and shall hand over to the Federal Government the full amount of its operating surplus after having provisioned the reserves set forth in this Law, providing this does not imply reductions in the reserves resulting from the revaluation of assets. The handing over shall take place no later than April of the financial year following that to which the surplus corresponds.

ARTICLE 56.- The bank notes and metallic coins put in circulation by Banco de México shall be registered, at their face value, as liabilities in the Bank's balance sheet. For as long as the aforementioned currency is not put in circulation, it shall be registered in the Bank's assets at its manufacturing cost or purchase value, as the case may be; the corresponding entries shall be adjusted in accordance with changes in the replacement cost of said currency. Upon having been put in circulation for the first time, bank notes and metallic coins shall be dropped from the Bank's assets and debited from the profit and loss account. The Bank shall register the amounts earned from the sale of metal obtained from coins withdrawn from circulation in its assets, and credit said amounts to the profit and loss account.

Coins referred to in Article 2 Paragraph C of the Monetary Act of the United Mexican States which are not intended as general means of payment, and those referred to in Article 2 Bis of said Law, will be registered as per the terms agreed upon by the Board of Governors.

ARTICLE 57.- Operations set forth under [Article 46 Section XII](#) shall be effected through public bidding, excluding the following:

I. Purchases of food stuffs or other perishables;

II. When less than three suitable suppliers or bidders can be found;

III. When a contract is terminated in advance or rescinded;

IV. When the amount of the contract does not exceed the equivalent of:

- a) Sixty times the annualized general minimum wage per day prevailing in the Federal District, for the purchasing, leasing and rendering of services related to movable property;
- b) Ninety times the annualized general minimum wage per day prevailing in the Federal District, for real estate projects, and

c) Ten times the annualized general minimum wage per day prevailing in the Federal District, for selling movable property, as per appraisal effected by a legally qualified person;

V. In the event of fortuitous circumstances or force majeure;

VI. When conservation, maintenance, restoration, repair and demolition projects or services are required and it is impractical to precisely determine the scope, the list of items and amounts of work necessary, the specifications, or work schedule thereof;

VII. Purchases or sales of real estate, as well as services related to real estate projects;

VIII. In the event of circumstances that may cause serious disruptions, losses or significant additional costs for the Bank;

IX. When, after having carried out two public biddings, the relevant contract cannot be awarded, or

X. The purchase of materials required by the Bank to manufacture bank notes or procured for the minting of metallic coins.

ARTICLE 58.- Banco de México, the members of the Board of Governors, as well as the Bank's officials and employees shall be bound by the legal provisions regarding banking and fiduciary secrecy as established by Law.

ARTICLE 59.- The following shall be non-union employees of Banco de México:

I. Officials with rank of Deputy Managers or above, employees with positions of ranking equivalent to that of those previously mentioned and employees personally and directly assigned to the Board of Governors and to the members thereof; advisors and secretarial personnel assigned to the aforementioned officials; heads of office or division; security personnel; pilots, copilots and flight engineers; technical personnel assigned to the foreign exchange, metals, investments, securities, and information services departments; operators and coders of telecommunication devices through which written documents are transmitted, as well as technical personnel handling confidential information, and

II. Personnel referred to in the Statutory Law for Article 123, Division B, Section XIII Bis of the Political Constitution of the United Mexican States, who are not included in the above paragraph.

The Governor and the Deputy Governors of the Bank shall not be considered as part of the Bank's personnel.

ARTICLE 60.- Officials with rank of Deputy Managers or above and employees with positions of equivalent ranking may not hold any post, position or commission in the Federal Public Administration, excluding those in which they may act in representation of the Bank, or at educational, scientific, cultural or charitable organizations.

ARTICLE 61.- The Federal Civil Servants' Responsibility Act (Ley Federal de Responsabilidades de los Servidores Públicos) shall apply to members of the Board of Governors and to the Bank's personnel, subject to the following:

I. The application of the aforementioned Law and the strict enforcement thereof, excluding instances of Political Trial to which members of the Board of Governors may be subject, shall be the concern of a Responsibilities Commission, which shall be made up by the member of the Board of Governors appointed by the Board and by the heads of the Bank's legal and comptroller departments.

The Board of Governors shall determine the accountability regarding violations perpetrated by members of the Board of Governors or by officials holding any of the three highest-ranking positions, and impose the corresponding sanction. For this purpose, the Responsibilities



Commission shall submit the relevant dossier to the Board, and

II. Members of the Board of Governors, officials holding posts of Deputy Manager or above, and the personnel indicated in the Bank's Bylaws due to the nature of their functions, shall submit reports on their personal property. These reports shall be submitted to the Bank's comptroller department, which shall keep record and follow up on the evolution of the relevant personnel's personal property, and inform the Responsibilities Commission or the Board of Governors, as the case may be, of any observations that may result from such follow up. No defense proceeding before the Federal Fiscal Court shall be valid against the resolutions set forth in this article.

ARTICLE 62.- Banco de México shall be entitled to:

I. In conjunction with other competent authorities, prepare, collect and publish economic and financial statistics, operate information systems based thereon and collect the data necessary for such purposes;

II Carry out, directly or through third parties, the marketing of commemorative coins, and of bank notes and metallic coins with special packaging or finish;

III. Use the resources at its disposal to manufacture goods for and render services to third parties, provided that this does not hamper the proper accomplishment of its functions, and

IV. Purchase or lease the real estate property and contract the building contractors and services necessary or suitable for its proper operation and functioning, and sell the movable property that may become useless for such purposes.

ARTICLE 63.- Banco de México is forbidden to:

I. Provide guaranties;

II. Purchase or lease real estate not required to perform its functions. Should the Bank find it necessary to receive real estate or rights over real estate in payment for credits granted, or when some of its real estate properties become nonessential to the execution of its functions, the Bank must sell said properties or rights within the term of three years, and

III. Purchase ownership interests in the capital of corporations, excluding companies providing the required or appropriate services for the performance of the Bank's functions. Prohibitions or limitations hereunder shall not apply when the Bank acts in compliance with its labor obligations, or in compliance with obligations acquired vis-à-vis members of the Board of Governors in compensation for services provided. In these cases, the Bank may effect the operations and provision the reserves necessary or suitable for the fulfillment of said obligations.

ARTICLE 64.- A petition of review may be submitted against the rulings provided for in [Articles 27, 29 and 33](#), and must be filed before the administrative department indicated in the Bank's Bylaws within fifteen business days following the notification date of said rulings.

The purpose of said petition shall be to revoke, modify or uphold the ruling being appealed. The petition's written request shall include the appellant's name and address, the ruling being appealed and the damages or injury claimed, backed by the necessary pieces of evidence and proof of the appellant's identity.

The petition's notifications, process and final verdict shall be additionally bound by provisions under Articles 130, 132, 134, 135, 136 Paragraph Three, 137, 139 and 140 of the Federal Fiscal Code, as well as by the statutory laws applicable to these provisions.

ARTICLE 65.- Petitions of review shall be resolved within twenty business days from the date of their filing; otherwise, the ruling being appealed shall be considered upheld. The affected party may file a habeas corpus based on presumed infringement of individual rights under the Constitution (Derecho de Amparo) only after having had recourse through the petition of review.

When a petition of review does not indicate the injury or damage claimed, it shall be denied as inadmissible. Should any evidence be omitted, it shall be considered as not submitted.

Final verdicts on petitions of review shall indicate the ruling being appealed, the legal foundation thereof and the summation points.

No defense proceeding before the Federal Fiscal Court shall be valid against the final verdict provided for in this article.

ARTICLE 66.- Rulings provided for in [Article 64](#) Paragraph One shall be carried out:

I. If no petition of review is filed within the term provided for in [Article 64](#);

II. If the affected party does not substantiate having filed a habeas corpus suit on presumed violations of individual rights under the Constitution within twenty business days following the date on which he or she was notified of the corresponding ruling.

III. If the aforementioned habeas corpus suit results in a verdict rejecting the suspension of the appealed ruling, or

IV. Only after the appellant has been found again guilty as charged, if judgment had been passed on the habeas corpus suit granting the suspension of the appealed ruling.

ARTICLE 67.- The execution procedure under administrative law to collect fines not paid to Banco de México in a timely manner shall be carried out by the Ministry of Finance and Public Credit, or by the Bank itself through the administrative department indicated in its Bylaws.

The execution procedure will be carried out by the department referred to in the previous paragraph according to the statutes of the Federal Fiscal Code. The aforementioned Bylaws will indicate the offices that shall hear and judge the legal claims set forth under said Code with regard to the execution procedure.

If the Central Bank holds an account for the transgressor, the execution procedure under administrative law shall not be required, and the fine may be collected by charging it to said account.

ARTICLE 68.- The Bank's operations will be bound, in addition to this Law and in the order indicated, by the Credit Institutions Act, by mercantile laws, by generally accepted banking and mercantile practices, by the Civil Code for the Federal District in Public matters, and by the Civil Code for the United Mexican States in Federal matters.

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## **TRANSITORY ARTICLES**

FIRST.- This Law shall become effective as of the first of April, 1994, excluding Paragraph Two of this article and Transitory Articles [3](#) and [13](#), which shall become effective as of the day following the publication of this Law in the Official Gazette of the Federation.

The first set of members of the Board of Governors shall be appointed pursuant to the provisions of this Law, and shall be appointed before the thirty-first of March, 1994.

SECOND.- The term in office of the first Governor of the Bank shall conclude on the thirty-first of December, 1997. The terms of the first Deputy Governors shall conclude on the thirty-first of December, 1994, 1996, 1998 and 2000, respectively; the President of the Republic shall indicate which of the above terms corresponds to each Deputy Governor.

THIRD.- The remunerations of the Governor and Deputy Governors mentioned in the previous paragraph, for the Bank's first financial year, shall be determined pursuant to [Article 49](#) of this Law prior to the appointment of said members of the Board of Governors.

FOURTH.- Instructions from the Federal Treasurer to the Bank, pursuant to [Article 12 Section I](#), need not be transmitted in advance according to the terms set forth in said Section I for a period of three years as of the date on which this Law becomes effective. Within this same period, the Federal Treasurer may continue issuing checks and other documents referred to in [Section III](#) of the aforementioned article.

FIFTH.- Banco de México, as a decentralized agency of the Federal Government, is hereby transformed into the new legal entity subject to public law provided for in this Law, maintaining the legal ownership of all goods, rights and obligations of which the former agency's patrimony was made up of.

SIXTH.- The Banco de México's Bylaws shall be issued within six months from the date on which the Board of Governors is legally installed. Until such Bylaws are issued, the Bylaws published in the Official Gazette of the Federation on the July 4, 1985, shall remain in force and the legal recourse set forth in [Article 64](#) shall continue to be filed before Banco de México's Legal Department.

References made to the Director General of the Bank either in the Bylaws currently in force or in any other legal document shall be interpreted as referring to the Governor of the Bank, within the scope of the authority conferred upon him by this Law.

SEVENTH.- The powers of attorney, mandates, designations of fiduciary delegates and, in general, all legal representation and faculties conferred by Banco de México prior to this Law going into effect shall remain in force until they are explicitly modified or revoked.

EIGHTH.- Metallic coins currently in circulation shall become part of the liabilities reported in the Bank's balance sheet as per the provisions of [Article 56](#).

Funds deposited by the Federal Government in Banco de México, as a result of the difference between the face value of coins delivered by the Mint to the Bank up to one day prior to this Law becoming effective and the costs incurred in the production thereof, shall remain in favor of the Bank.

NINTH.- Banco de México may at any time put bank notes in circulation whose date of issue is prior to the date on which this Law goes into effect.

TENTH.- The Bank may continue to act as trustee for the trusts it presently administrates and which are not provided for in [Article 7 Section XI](#), and may receive money bank deposits from such trusts.

Credits granted by Banco de México, prior to this Law going into effect, to the public economic development trusts administered by the Bank may continue under their terms until maturity, and may be renewed in one or more instances for a total duration of no longer than twenty years.

Regarding trusts other than those referred to in Paragraph Two of this article, the Bank shall be entitled to renounce its fiduciary duty when it so deems appropriate. In these cases, the

replacement trustee shall be appointed by the following persons in the order of precedence indicated: the persons so empowered in accordance to the legal statutes by which the trust is bound; the settlor or settlors; the beneficiary or beneficiaries; or, lacking these, Banco de México. While the Bank remains as fiduciary of these trusts, the Bank may grant them financing of an exceptional nature, in order to prevent possible infringement of their obligations.

This article was amended by decree of November 15, 1995, published in the Official Gazette of the Federation on November 17, 1995.

ELEVENTH.- While Banco de México issues the regulations provided for in this Law, those issued prior to this Law going into effect shall remain in force in their respective legal areas. Administrative measures taken pursuant to regulations hereby repealed shall remain in force until revoked or modified by competent authorities.

TWELFTH.- Financial intermediaries having performed operations in violation of regulations hereby repealed and prior to this Law going into effect, shall be bound, regarding said operations, by the regulations applicable at the time those operations were performed.

THIRTEENTH.- The last financial year of Banco de México, as a decentralized agency of the Federal Government, shall begin on January 1, 1994, and end on March 31, 1994. During this period, the Bank shall not be bound by provisions set forth under [Article 7](#) of Banco de México's Organic Law.

The first financial year of Banco de México as legal entity under this Law shall begin on April 1, 1994 and end on December 31, 1994.

The operating surplus of Banco de México, corresponding to the financial year referred to in this article's first paragraph, shall be handed over to the Federal Government no later than April 1995.

FOURTEENTH.- Within the month following that in which this Law becomes effective, Banco de México shall send the Federal Executive and the Congress of the Union or, if the case be, to Congress' Permanent Commission, the documents referred to in [Article 51 Section I](#) corresponding to the Bank's first financial year, as well as a report on the evolution, between January and March 1994, of Banco de México's domestic credit and the performance of the Treasury of the Federation's account that Banco de México manages on behalf of the Federal Government.

Regarding the Bank's first financial year, the Bank shall not be bound to deliver the report referred to in [Article 51 Section II](#) .

FIFTEENTH.- As of the date on which this Law becomes effective, and until the total real value of the Bank's capital plus reserves exceeds twenty percent of the sum of bank notes and coins in circulation, plus the Bank's liabilities vis-à-vis financial institutions and the Federal Government, excluding the deposits referred to in [Article 9 Section I](#), the aforementioned total real value shall not be increased according to the expansion of the gross domestic product pursuant to provisions of [Article 53](#). During this length of time, the Federal Government and the Bank may agree on reducing said total real value, provided that these reductions do not imply bringing said value below the equivalent of the aforementioned percentage nor result in monetary expansion.

SIXTEENTH.- The deposits referred to in Article 132 of the Credit Instruments and Operations General Act (Ley General de Títulos y Operaciones de Crédito) shall be made at Nacional Financiera, S.N.C. Deposits received by Banco de México prior to this Law becoming effective shall be maintained and handed over by the Bank pursuant to the applicable regulations.

SEVENTEENTH.- References made to Banco de México's Organic Law, or to itself, in laws, regulations, decrees, administrative resolutions or other legal ordinances shall be interpreted

as referring to this Law and to the Institution governed by it.

EIGHTEENTH.- Banco de México's Organic Law of December 21, 1984, is hereby repealed. Article 31 Section IV of the Federal Public Administration's Organic Law, Article 13 Paragraphs One and Two of the Monetary Act of the United Mexican States, Article 48 Paragraphs Two and 12 transitory of the Credit Institutions Act, Article 24 of the National Savings Council Organic Law (Ley Orgánica del Patronato del Ahorro Nacional), and all other provisions opposing this Law, are hereby repealed.

Provisions regarding Banco de México set forth in Article 31 Section VII of the Federal Public Administration's Organic Law, in Articles 1, 8 and 14 of the Law Creating the Guarantee and Development Fund for Agriculture, Cattle and Poultry Raising (Ley que crea el Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura), and Articles 1, 2, 8 and 21 Section IV of the latter's regulatory law, are hereby annulled.

Mexico City, December 14, 1993. Representative Cuauhtémoc López Sánchez, President.- Senator Eduardo Robledo Rincón, President.- Representative Sergio González Santa Cruz, Secretary.- Senator Israel Soberanis Noguera, Secretary.- Signatures.