

## Law to Regulate Financial Technology (fintech) Institutions: Opportunity to Increase Competition and Users' Welfare

- *Fintech regulation will provide the incentives and terms for innovation, inclusion, growth and competition in the financial sector.*
- *The Federal Regulatory Improvement Commission (Cofemer) issued an opinion on the draft Law to regulate financial technology institutions. COFECE's deadline to issue an opinion has not expired, in accordance with the collaboration agreement signed between both institutions.*
- *COFECE will submit its opinion on competition matters to the Congress legislative committees responsible for ruling the draft legislation.*

**Mexico City, October 4, 2017.-** The financial system is of great relevance for the country's economy, because of its impact on productivity conditions and competitiveness, as well as on consumers' welfare and efficiency of other sectors. In the *"Market study and recommendations on competition conditions in the financial sector and its markets"*<sup>1</sup> COFECE found that, despite Mexico having a well-capitalized financial system and low delinquency rates:

- i) Banks have few incentives to compete against each other to gain the preference of customers, there is a high concentration of financial products and services providers, and levels of profitability of banks are higher than in countries with similar income; and
- ii) Penetration levels and financial inclusion continue to be limited.

New technologies offering financial alternatives, for instance, for financing and of payment systems, could modify the structure and performance of this sector, if they generate competitive pressure on traditional banking and provide new options for the benefit of the consumers. Therefore, the regulation adopted will define the incentives for innovation, inclusion, growth and competition in the financial sector.

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<sup>1</sup> Section 1, transitory article 5 of the Decree, amending, adding and derogating various provisions on financial matters and issuing the Law to regulate financial groups, which entered into force on January 11, 2014 establishes that the COFECE will assess competition conditions in the financial sector and its markets. The document, published in July 2014, is available at: <https://www.cofece.mx/cofece/index.php/prensa/historico-de-noticias/trab-inv-recom-sec-fin>

Within the framework of the collaboration agreement signed between COFECE and the Federal Regulatory Improvement Commission (Cofemer), on September 19, the latter sent this competition authority the draft Law to regulate fintech institutions, with the purpose of obtaining its opinion regarding the effects of the law on economic competition and free market access.

Said collaboration agreement grants COFECE a response-time of 20 business days. However, on October 3, Cofemer published the General Opinion of the Draft Law, that is, before COFECE's deadline to issue its opinion.<sup>2</sup>

Thus, Cofemer's Opinion establishes its request for COFECE's opinion; Cofemer has not yet received COFECE's observations, in fact the response times established in the referred agreement have not yet expired.

COFECE is committed to providing technical assessments in terms of competition and free market access to regulations with the potential of having a broad impact on the efficient functioning of markets and Mexican's pockets. Thus, COFECE will submit an opinion to the legislative committees responsible for ruling the draft law in Congress, in a timely manner.

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### **A BETTER MEXICO IS EVERYONE'S BUSINESS**

*The Federal Economic Competition Commission is entrusted with safeguarding competition and free market access. Through this, it contributes to consumer welfare and the efficient functioning of markets. Through its work, COFECE seeks better conditions for consumers, greater output, better services and a "level playing field" for businesses*

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<sup>2</sup> Document number: COFEME/17/5800 General Opinion, presented as a final document, available at: [http://www.cofemersimir.gob.mx/expediente/20718/emitido/46468/COFEME\\_17\\_5800](http://www.cofemersimir.gob.mx/expediente/20718/emitido/46468/COFEME_17_5800)