

Chapter 15

BANKING

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Currency and coins

US currency circulates freely in Cozumel, but nobody will accept a bill that is torn. Large transactions of US cash (like buying a house) are prohibited by law. US or Canadian coins will not be accepted by anyone and cannot be exchanged for pesos at any bank or currency exchange.

Mexican peso bills come in 20, 50, 100, 200, 500, and 1000 pesos denominations. The 1000 peso note should be avoided, as it has been widely counterfeited. The 500 peso notes can also present a problem in change-making at smaller shops and restaurants. Common coin denominations are 1, 2, 5, and 10 Pesos. There are also 5, 10, 20, and 50 *centavo* (cents) coins, but you'll rarely see these, except in change from large chain stores. In addition, there are 20 and 100 peso coins that are in circulation, but not found as frequently as the rest of Mexico's coinage.

Traveler's checks

Most currency exchange houses will change traveler's checks and will give you the same rate as if they were cash. However, some of the 'off-brand' traveler checks may not be accepted; best to use the American Express or VISA brand. Banks usually has long lines here on the island are not really interested in changing travelers checks, but will.

ATMs

The easiest way to change money in Cozumel is to use your ATM card. You get the best exchange rate and there are no lines. The drawbacks are most US banks will charge you around 2% as a transaction fee (more for cash advances on credit cards), a foreign exchange charge of up to 3%, and most ATMs here will only give you a maximum of 3000 pesos per transaction. If you have a debit card issued by Bank of America and use it at a Santander Bank ATM, the transaction fee is waived, as they are partner banks.

Checks drawn on US banks

US Checks cannot be cashed at banks in Cozumel, but can be deposited into a checking or interest-bearing account. Bear in mind, however, it will take over a month to clear, and a hefty fee will be charged for the service.

Opening a bank account in Mexico

This will take much longer than you are accustomed. First, you must be a Mexican citizen or have a *Residente Temporal* or *Residente Permanente* visa to open an account. A tourist visa or *Visitante* visa will not suffice. Next, you need to bring to the bank:

Your passport and a copy (first page only)

Your visa and a copy (front and back)

a recent copy of your light, phone, or water bill, or a copy of the lease to your home here on Cozumel

Cash Transactions

In an effort to combat money laundering, the Mexican government has recently implemented new restrictions on cash transactions involving US dollars. The maximum amount of US dollars that can change hands in one transaction is \$250. This limit does not apply to cash transactions involving Mexican pesos.

Currency Exchanges (*Casas de Cambio*)

Casas de Cambio are located throughout the city, and come and go as the economy dictates. Most do not require any ID for changing currency, but will ask for it to change travelers' checks. Their rates of exchange are usually posted outside their doors.

Banks

Banamex/Citibank Av Coldwell between Calle 1 and Salas (987) 872-3411

Bancomer Av. 5 between Juarez and Calle 1 (*parque*), 872- 0550

Bancomer Av. Coldwell between Calle 12 & Calle 10, 872-7010

Banorte ATM Av. Quintana Roo between Av 25 and Av Coldwell

Banorte Av. 5 between Juarez and Calle 2, 872-0718

HSBC, Av. Pedro Joaquin Coldwell at Av. Quintana Roo, (987) 872-3080

HSBC Av. 5 at Calle 1, 872-0142, 872-0182

Santander Av. 15 between Calle 3 and Morelos 872-2853

Scotia Bank, Av. 5 at Calle 2, 987-872-9001, 872-4876

Bank Hours

Most banks are open 9 AM to 4 PM, Monday through Saturday. See the **CALENDAR** section for bank holidays

Account types

Personal accounts (*persona fisica*) can only have bank account in Mexican pesos. Business accounts (*persona moral*) can have accounts in either US dollars or Mexican pesos.

Interest-bearing accounts

If you have a bank account in Mexico that pays you interest, the bank will withhold a small percentage (0.5%) back for Mexican income taxes. If you are not a Mexican Tax Resident, this is all you will have to pay on this interest income and you do not need to file a Mexican

tax return. If you are a Mexican Tax Resident, you can credit this amount on your annual Mexican tax return. (See “interest bearing accounts” the section on **TAXES**). Soon, however, the US FATCA act may require the Mexican banks to withhold 30% of that interest for the US IRS if you are a “US person” (See “FATCA” under the section on **TAXES**).

Money transfers

Transferring money from your account outside of Mexico to your account inside of Mexico (or visa-versa) can be accomplished in a couple of ways. You can make a wire transfer directly from your foreign bank into your account in a Mexican bank for a small transfer fee and the rate of exchange will be the prevailing bank rate. You can also set up an account with Western Union Online FX and have them make the transfer online.

WesternUnion

Inside Elektra at Av. Q. Roo between Av. 5 and 10

Av. Pedro Joaquin Coldwell between Salas and Calle 1

At the Telegraph office, next door to the Post Office at Calle 7 and Av. Rafael Melgar.

Credit cards

Most hotels, large stores, and larger restaurants accept MasterCard and Visa, but most small “Mom and Pop” shops do not take plastic. Discover cards and American Express cards are accepted by very few locations other than large hotels. Most US cards charge a 2% to 3% “foreign transaction fee” on each charge. CapitalOne is one company that does not charge this fee.

Money laundering laws

Mexican citizens can make deposits or payments of up to \$4,000 USD in cash or 15,000 pesos cash per month through their bank, but foreigners or Mexicans who don’t have bank accounts are limited to \$1,500 USD per month. US cash deposits and payments by businesses dealing with tourists and foreigners in Cozumel and other tourist areas will be limited to 14,000 USD a month. Electronic or non-cash (checks or travelers checks) transactions will not be affected.

Bringing cash into Mexico

You can cross the border into Mexico with more than \$10,000 USD cash but you have to declare it. Amounts of cash less than \$10,000 USD are not required to be reported when entering Mexico. Failure to declare can cost 20-40% of the amount undeclared in fines, plus jail time.

IDE tax on bank deposits

There is a 3% tax on cash deposits over \$15,000 pesos per month to any bank account. Deposits made in US dollars are not taxed, but are limited to certain amounts (see above).

FATCA (Foreign Account Tax Compliance Act)

The US recently (March 2010) implemented a new and far-reaching law that includes a new interpretation of what “US persons” will need to report to the US IRS, in addition to the FBAR report. The first part of the law determines who a “US person” is: US citizens, US green card holders, and certain non-US citizens who have stayed in the US for over 183 days during each of the past three years. Country of residence or tax residence does not come into play. The second part of the new law addresses what will be taxed. All foreign assets, income, interest, trusts, *Fideicomisos*, shares in entities (like Limited Liability Companies, Corporations, and partnerships) stocks, security, bank accounts, and accounts in stock trading houses that are owned by a “US person” that total in aggregate over \$50,000 USD during any one day of that tax year must now be reported to the IRS by all foreign banks and financial institutions, or else the US will “withhold” a substantial amount of that financial institution’s funds that pass through the US. However, just because your total foreign assets sum up to less than \$50,000 may not preclude a financial institution from reporting them anyway under this new system. A “US person’s” penalty for not reporting their income, interest, or interest in such trusts, *Fideicomisos*, accounts or companies themselves on IRS Form 1040 or on IRS Form 8275, 5471, 8858, and/or 8865 is \$10,000 to \$50,000. Understatement of the amount of tax owed is 20% if not attributable to fraud, 75% if it is. The “look back period” and statute of limitations for audits has been expanded to the previous six years. Penalties for not reporting your interest in a Trust or *Fideicomiso* on IRS Form 3520 and 3520a is 35% of the amount transferred into the Trust or *Fideicomiso*, with the minimum penalty being \$10,000 USD. For a more complete description of FATCA’s impact on *Fideicomisos*, see “FATCA’s impact on *Fideicomisos*, LLC’s, partnerships, and corporations owned or partially owned by US Persons” in the section entitled **TAXES**.

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