PRELIMINARY LEGAL ANALYSIS

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Mexico's General Artificial Intelligence Law

An investor's analysis: investing in Mexico and the businesses the bill would reach.

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WHERE WE STAND

One point governs everything that follows: this is a bill introduced by members of the Mexican Senate, not enacted law. Its text is nonetheless likely to shape the initiative the President is expected to introduce shortly.

This memorandum analyzes the provisions as currently drafted and, for ease of reading, discusses them as though they were already in force.

ASSESSMENT

High risk, with critical components

That risk arises less from specific prohibitions than from three things: statutory indeterminacy, the discretion of a regulator that has not even been constituted, and an economically open-ended exposure to penalties and liability.

4 risks rated critical	18 risks identified in total	31 sectors covered, on a non-exclusive basis	180 days for the implementing regulations that will define compliance

1. Preliminary analysis

The bill builds a horizontal, cross-sector regulatory framework of expansive reach, capturing nearly any business that develops, supplies, integrates, operates, or simply uses AI systems in Mexico — including foreign parties that serve Mexican residents.

A PERIMETER LEFT OPEN BY DESIGN

For an investor, the first risk lies in the architecture of the statute rather than in any single clause. Its scope is indeterminate by design — the covered sectors are listed “by way of example and not of limitation” — and much of its operative content is deferred to implementing regulations and to “general provisions” to be published later. Capital would therefore be deployed against a legal framework whose cost of compliance cannot be quantified when the law takes effect.

A REGULATOR THAT DOES NOT YET EXIST

The National Artificial Intelligence Authority holds concentrated powers of supervision, certification, provisional measures, suspension, market withdrawal, technical disconnection, and sanction — yet the statute neither creates nor defines it. It is described only as a “newly created body” to be established by the Executive, characterized as a “coordination and technical support body.” The disproportion is plain: sweeping coercive powers set against an almost total absence of rules on the agency’s legal nature, hierarchy, budget, independence, and internal due process. The arbiter of the regime would begin life as an institutional black box.

ECONOMIC EXPOSURE WITHOUT A CEILING

The text sets no amounts, caps, or quantitative parameters for fines, stating only that they will be “proportionate to the harm, risk, or benefit obtained.” Add the power to double sanctions for repeat conduct, closure or debarment from commercializing AI, and the fact that available appeals do not stay provisional measures. The result is an indeterminate and potentially ruinous economic exposure, capable of halting a business before any final ruling issues.

TWO LIABILITY REGIMES AT ONCE

One is strict, applying to high-risk systems and to systems capable of causing significant harm. The other is joint and several, running through the entire value chain and reaching operators and users who took no part in development. At the same time, Article 152 disclaims strict liability based on mere participation in that chain, opening an interpretive tension that opposing counsel will exploit. Automation does not mitigate human responsibility, and willful or grossly negligent conduct escalates to criminal exposure, with mandatory referral to the Prosecutor’s Office.

“HIGH RISK” COVERS THE MOST PROFITABLE USES

Credit scoring, insurance, human resources and hiring, health care, biometrics, education. And the Authority may expand the list on its own. Every high-risk system requires a prior algorithmic impact assessment, certification, audits, an enterprise risk-management system, meaningful human oversight, and kill-switch mechanisms. Systems already in operation when the law takes effect would have two years to come into compliance. All of it is sunk compliance cost, unrecoverable if the system is later reclassified or if the company decides to exit Mexico.

NO ORDERLY WAY OUT

The bill omits something important: a procedure for voluntary exit. It does not address deregistration, the disposition of data, the transfer of obligations, or the extinguishment of an operator’s liabilities upon ceasing operations — while record-retention duties remain in force. Compounding this, the USMCA is made subordinate to “technological sovereignty” and “national security,” which would weaken the protections a foreign investor would expect to invoke.

2. Alert

First. The law reaches you even if you are not an "AI company."

It is enough to develop, supply, integrate, operate, or use AI systems whose effects are felt in Mexico. A lender, an insurer, an HR, health care, retail, or logistics business that uses third-party models is captured as a "user" or "institutional user," with obligations of its own.

Second. The true cost of compliance cannot be calculated when the law takes effect.

The core operative pieces — risk-classification methodology, impact-assessment forms, certification protocols, and technical standards — are left to implementing regulations due within 180 days and to future guidance. Whoever invests does so against a legal framework whose content will be written later.

Third. Penalty exposure has no ceiling.

The text sets no fine amounts, but it does provide for closure, permanent suspension, market withdrawal, debarment from commercializing AI, and doubling for repeat conduct. Because the available appeals would not stay provisional measures, the business can be shut down while it litigates.

Fourth. Liability is strict and joint and several.

Harm is compensable without regard to fault, and developer, supplier, integrator, operator, and user may all be jointly and severally liable. This is a very high-risk posture. The value chain is, in practice, a chain of shared risk, and each party's contractual position determines who ultimately absorbs the exposure.

Fifth. Your most valuable use cases are "high risk."

Credit scoring, insurance, employee evaluation and termination, medical diagnosis, biometrics, and educational assessment appear expressly in the catalog. Emotion recognition for employment or hiring purposes may even constitute a prohibited practice. And the Authority may expand the list without amending the statute.

Sixth. Intellectual property is protected, but not entirely.

Registration, audits, and disclosure requirements may not compel the release of source code, model weights, proprietary models, or databases. But the Authority may, "exceptionally," require limited access to those elements. In the end, trade secrets are left to the regulator's discretion.

Seventh. Getting in is easier than getting out.

The statute details forced exit as a sanction but provides no voluntary, orderly wind-down: deregistration, disposition of data, closing out obligations. For an investment strategy that contemplates divestment, the omission matters. There is no clear path to deregistration or to discharge of liabilities, and retention duties remain.

Eighth. USMCA protection is conditioned.

The bill subordinates treaties to technological sovereignty, national security, and the public interest. That may erode the guarantees a foreign investor would seek to invoke in an investor-State dispute or in a digital trade matter.

IN SHORT

Mexico is moving toward an ambitious, rights-protective regulatory model whose principal cost to investment is not so much what it prohibits as the uncertainty it generates. A broad perimeter, a regulator that does not yet exist, and economically open-ended liability — all of which should be managed, contractually and operationally, before the capital goes in.

3. Risk matrix

18 RISKS BY CATEGORY AND SEVERITY

	CRITICAL	HIGH	MEDIUM	LOW
Regulatory	**Authority holds coercive powers yet is neither constituted nor defined** Art. 39	**Operative content deferred to implementing regulations** Trans. 2 · Art. 127, 148 **Extraterritorial and expansive scope** Art. 5, 6, 7	**Open-ended legal standards** Art. 8, 124, 129, 147 **Emotion recognition as a prohibited practice** Art. 145 **Bill still subject to legislative change** Caption	
Financial	**Sanctions with no amount, cap, or parameter** Art. 217, 218, 222	**No grandfathering against reclassification** Art. 129 Bis · Trans. 9		
Legal	**Strict, joint and several liability across the chain** Art. 166, 167, 169 **Appeals do not stay provisional measures** Art. 223 · 141, 146		**Exceptional access to code, models, and weights** Art. 179 **Conflict between Articles 152 and 166** Art. 152 · 166 **USMCA subordinated to technological sovereignty** Art. 10	**Record retention for periods not yet fixed** Art. 138
Operational		**The most profitable uses are high risk** Art. 147, 148, 150 **No voluntary, orderly exit procedure** Not addressed · Art. 138	**Two years to bring existing systems into compliance** Trans. 7	**National Registry is public** Art. 171, 172, 175

Information still needed

This analysis addresses only the text of the bill. To complete a diligence review for an investment, acquisition, or divestment, the investor would need to request, depending on the target business, the following additional documentation and information:

- Audited financial statements for the last three fiscal years, with estimated regulatory compliance cost broken out
- Corporate minutes, current bylaws, and capitalization structure
- Full inventory of proprietary and third-party AI systems, with risk classification and use cases
- Contracts with model vendors and licensors, including liability, indemnity, and IP provisions
- Existing algorithmic impact assessments, certifications, audits, and risk-management policies
- Intellectual and industrial property titles and evidence of registration
- Schedule of litigation, administrative proceedings, and pending or probable contingencies
- Personal data protection policies and evidence of compliance
- Insurance policies in force, with coverages and exclusions

It is also advisable to obtain seller representations and warranties as to the absence of prohibited systems and the state of compliance, and to monitor the legislative process through eventual publication of the final text and its implementing regulations.

This analysis is preliminary and rests solely on the document provided. It is not definitive advice and does not substitute for comprehensive legal due diligence on the target business, or for review of the text ultimately enacted together with its implementing regulations and supplementary provisions. Any investment, acquisition, or exit decision should be made only after verifying complete documentation and confirming the statutory citations against the final text, as this remains a bill subject to legislative change. It is likewise not tax or financial advice, and should be supplemented by specialists in those fields.

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