

Amendments to Mexico Corporations Law

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On June 13, 2014, several amendments to both the General Law on Business Corporations (*Ley General de Sociedades Comerciales*) and the Commercial Code were published in the Official Gazette of the Federation. The reform package is aimed at reducing the cost and time required for certain corporate formalities, and also includes legislation in the areas of corporate governance, minority rights and share transfers similar to the current regulations under the Securities Act.

Electronic Registration

The Ministry of the Economy will create an electronic registry to handle the storage, querying, management and recordation of information related to business corporations.

Certain transactions will be required to be recorded in the electronic registry, including incorporation, change of corporate form, merger, spin-off, dissolution and liquidation of business entities, along with any public announcements required for such transactions, which used to be published in the Official Gazette, in the Official Journal of the States, or in newspapers of greatest circulation in the entity's jurisdiction of domicile.

Freedom of Contract

The new legislation includes a literal statement as to the supremacy of parties' freedom of contract, so that the principals of business entities are free to reach agreement, even in contravention (in certain cases) of the provisions of the General Law on Business Corporations.

Restriction on Shares

Similar to practices being carried out under the Securities Law, the General Law on Business Corporations includes the ability of the shareholders of a Corporation (*Sociedad Anónima*) to impose restrictions on the transfer rights or ownership rights of its shares, such as the issuance of non-voting shares or of shares with special privileges.

Purchase and sale option rights and obligations may be agreed to in the company charter, including tag-along rights and drag-along rights.

The legislation contemplates that the shareholders will reach agreement as to the exercise of voting rights at shareholders' meetings.

Rights of Minority Shareholders

The reform package provides that the percentage of shareholders required to approve bringing a liability action against management is now 25 percent rather than the 33 percent previously required.

Similarly, it lowered from 33 percent to 25 percent the percentage required to approve postponement of a vote on any matter before the shareholders' meeting when it is deemed that more information is required.

Entry into Effect

The amendments entered into effect on the day they were published except for (i) provisions relating to minority shareholder rights, which come into force on the tenth business day following the date of publication, and (ii) provisions relating to the electronic system, since the Ministry of the Economy will have a period of one year following publication of the amendments to establish the electronic system.

The reform package is available in Spanish on: http://www.dof.gob.mx/nota_detalle.php?codigo=5348651&fecha=13/06/2014

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