

Mexico Amends Its Securities Market Law and Investment Funds Law

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Mexico amended its Securities Market Law ("LMV") and Investment Funds Law ("LFI") by a decree that entered into effect on Dec. 29, 2023, to promote competition in its securities markets, as well as to facilitate and simplify access to such markets. As a result, the participation of issuers in the securities markets is expected to increase, making the listing process more efficient and affordable. This alert provides an update on the decree and includes important highlights related to issuers and hedge funds.

The following is a summary of some of the highlights of the decree:

Securities Market Law:

1. A simplified regime for the registration of securities is introduced, which, in order to obtain such registration, the favorable opinion of the stock exchange in which the securities are intended to be registered is sufficient, without the need to request the direct authorization of the National Banking and Securities Commission ("CNBV"). The corresponding stock exchange will be in charge of managing the application before the CNBV to register the securities in the National Securities Registry ("RNV").
2. In order to obtain the registration of the securities, "Simplified Issuers" must provide considerably less information and documentation than that required for traditional securities registration.
3. The offering of securities through simplified registration shall be made only to institutional and qualified investors.
4. "Simplified Issuers" will not be under the direct supervision of the CNBV. Such entities will be supervised by the stock exchanges where their securities are listed and the brokerage firms that acted as placement agents.
5. The decree also modifies certain corporate governance aspects of Sociedades Anónimas Bursátiles ("SABs") and Sociedades Anónimas Promotoras de Inversión Bursátil ("SAPIBs"), such as allowing the shareholders of SABs and SAPIBs to delegate to the board of directors the power to increase the capital stock by issuing new shares and eliminating the requirement for SAPIBs to transform into SABs within 10 years.
6. The mechanics whereby the controlling group of an issuer may maintain control of the company are strengthened, modifying the voting requirement to approve the provisions to protect against takeovers, providing that such provisions may now be included in the by-laws if approved by an extraordinary shareholders' meeting in which 20% of the shares (previously 5%) do not vote against such motion.

Investment Funds Law:

1. The main change to the Investment Funds Law is the inclusion of the so-called "Hedge Funds" (similar to US Hedge Funds) that allow trading in any asset class which is provided in their prospectus.
2. "Hedge Funds" shares may only be acquired by institutional or qualified investors.
3. "Hedge Funds" may contract independent valuation firms to appraise their assets.

The CNBV must issue the general provisions referred to in the decree within a period not to exceed 365 calendar days, especially with respect to the requirements to be complied with by the "Simplified Issuers" for the registration of their securities, their offering, disclosure of information and the reports to be submitted.

Likewise, stock exchanges and brokerage firms should update and amend their internal regulations and manuals, as appropriate, to include provisions regarding the information and documentation to be submitted by "Simplified Issuers", as well as the review process for such information.

To read en español, [click here](#).

For further information, please contact any of the lawyers listed below.