

# Amendment to several provisions of the Mexican Securities Market Law.

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On November 15, 2023, Congress approved an amendment to the Securities Market Law ("LMV"), that becomes effective on December 29, 2023 (the "Amendment"). The main objective of the Amendment is to introduce a new scheme called "simplified registration of securities" and to simplify the applicable framework for SAPIBs and SABs that have securities listed on the Mexican stock exchanges.

## I. Simplified Issuers.

The Amendment introduces a new figure of "Simplified Issuers". Simplified Issuers will have the ability to list securities on stock exchanges in Mexico through a process known as "Simplified Registration."

The Simplified Registration Procedure of securities consists in potential Simplified Issuers, in collaboration with the underwriter, requesting the listing of securities on the corresponding stock exchange and the favorable opinion of such stock exchange for the registration of the securities in the National Securities Registry (the "RNV").

Such authorization request would include a summarized offering memorandum or, in case of direct listings, an information memorandum. Once the favorable opinion from the stock exchange is obtained, Simplified Issuers and the underwriters will jointly submit a formal application for simplified registration of their securities before the National Banking and Securities Commission (the "CNBV"). The CNBV will rely, in turn, on the favorable opinion of the stock exchange and will not review the documentation submitted, thus granting simplified registration of the securities in the RNV.

Through this Amendment, the responsibility to validate that the information and documentation of the Simplified Issuer and its securities comply with the regulations of the corresponding stock exchange is transferred, to a great extent, from the CNBV to the underwriters, which would otherwise correspond to the CNBV under a traditional process, which is expected to expedite the registration process.

Legal entities and trusts can obtain simplified registration and listing of their securities, provided they meet certain conditions to be established by the CNBV, the issuance is for less than an amount to be determined by the CNBV, and their securities are exclusively offered to institutional or qualified investors.

The CNBV and stock exchanges will issue detailed provisions and regulations that will establish the characteristics and obligations that Simplified Issuers must meet to be considered as such, as well as the details for the simplified registration process. They will also determine the obligations, requirements, terms and conditions to which the information disclosed to the public by the Simplified Issuers will be subject.

According to the discussions in Congress, the creation of the figure of Simplified Issuers seeks to allow small and medium enterprises to participate in the stock market, by simplifying the listing process and reducing timeframes and costs related to such review, in order to allow them to obtain the necessary financing to propel their growth.

The Amendment provides that (i) the CNBV shall issue general provisions; (ii) stock exchanges shall update their internal manuals; and (iii) brokers (casas de bolsa) shall issue manuals, which will provide the requirements, obligations, proceedings and responsibilities applicable to Simplified Issuers and to Simplified Registrations.

## II. Amendments to the provisions applicable to SABs and SAPIBs.

The Amendment allows Sociedades Anónimas Promotoras de Inversión Bursátil ("SAPIBs") and Sociedades Anónimas Bursátiles ("SABs") to request the registration of shares or securities representative thereof in the RNV, without SAPIBs being required to adopt the SAB modality within a specified period, as previously required.

Similarly, SABs and SAPIBs will now be allowed to issue shares that (i) impose restrictions on the transfer of such shares or specific rights within a class or series of shares, (ii) are subject to grounds to exclude partners, rights of separation, withdrawal, or amortization, (iii) have no or limited voting rights, (iv) grant corporate rights other than voting rights or only voting rights (and no economic rights), (v) limit or expand the right to profits or provide for other special economic rights, and/or (vi) have veto rights or require the vote in favor from one or more shareholders in the general shareholders' meetings.

Additionally, the Amendment loosens the restrictions for SABs with respect to their shares and the anti-takeover provisions that they are allowed to adopt in their bylaws. SABs will be allowed to issue shares other than ordinary ones (such as limited or non-voting shares) in excess of 25% of their outstanding shares, which was the previous limit. Equity issuers will be able to implement mechanisms through which ordinary shares and limited or restricted voting shares are jointly traded, and will also be able to contribute ordinary shares into a trust that issues participation certificates that intend to limit the vote of their holders.

With respect to anti-takeover provisions, SABs will now be allowed to (i) adopt provisions in their bylaws to prevent relevant takeovers as long as 20% of the outstanding shares do not vote against the adoption, instead of 5% which was the previous threshold, (ii) exclude shareholders other than the person that intends to acquire the control of the issuer from the economic benefits that are approved, and (iii) provide for an absolute restriction to takeover control of the SAB.

In addition, through the Amendment the shareholders meeting of SABs and SAPIBs will now be allowed to delegate in the Board of Directors the authority to approve capital increases, as well as to determine the terms for the subscription of such increase.

The Amendment also provides that for offerings of shares by SABs or SAPIBs exclusively to (i) institutional and qualified investors; or (ii) their own shareholders that exercise their preferential subscription right, the SABs and SAPIBs will no longer be obligated to file an offering memorandum (*prospecto de colocación*) or update the registration of the shares in the RNV prior to their issuance.

The Amendment provides that the CNBV shall issue general provisions related to the proceedings and requirements related to such offerings.

### III. Best Sustainability and Gender Practices.

The Amendment grants the authority to the Ministry of Finance, with the prior opinion of the CNBV and the Mexican Central Bank, to issue rules related to sustainable development, gender parity and the promotion and assessment of better practices related thereto.

Once issued, such rules will be applicable to all entities regulated by the CNBV.

### IV. Investment Advisors.

On the same date, Congress approved the amendment to the Investment Funds Law (*Ley de Fondos de Inversión*, or “LFI”), that becomes effective on the same date as the Amendment. The amendment to the LFI seeks to provide a flexible investment scheme for investment funds. Such scheme will allow them to operate with financial products that will, according to Congress, maximize their revenues, whilst adequately managing the risks associated with their investments.

Entities (*sociedades anónimas*) that are investment advisors may request the CNBV’s authorization to act as founding partners of investment funds. Moreover, investment advisors may render asset management services to such funds, having full authority to take investment decisions in representation of the funds with respect to such assets under management.

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