



MIJARES ANGOITIA CORTES Y FUENTES

THE NATIONAL BANKING AND SECURITIES COMMISSION ADOPTED CERTAIN MEASURES REGARDING THE COVID-19 OUTBREAK



March 30, 2020

As a result of the ongoing COVID-19 international outbreak (the "Outbreak") and the measures adopted by the Mexican authorities to contain it, the Mexican National Banking and Securities Commission ("CNBV", for its acronym in Spanish) issued two resolutions to establish certain measures and grant relief to its supervised entities.

I. Resolution on accounting measures applicable to Mexican financial institutions.

On March 25, 2020, the CNBV issued a decree that introduce special accounting criteria applicable to Mexican banking institutions on a temporary basis, with respect to consumer, housing and commercial loans -*such as mortgage-secured loans, revolving and non-revolving loans aimed to individuals such as car loans, personal loans, payroll loans, credit card and microcredit; as well as commercial loans aimed at legal entities or individuals with business activity in its different forms, including agriculture and livestock*- in order for such institutions to be able to grant relief for clients whose source of revenue is affected by the measures adopted by the authorities to contain the Outbreak.

The measures consist on deferring, either partially or in whole, the principal and/or interest payments of loans that were effective and in force as of February 28, 2020, for up to 4 months, with the possibility of extending it to an additional 2 months, with respect to the total outstanding amount payable, including ancillary payments, in the understanding that the balances may be frozen without causing interest.

In addition, the CNBV informed that it is working on the issuance of similar accounting measures for other sectors of the financial system, such as "*Sofipos*", "*Socaps*" and *Credit Unions*. We will let you know once such measures are issued.

II. Resolution on relief granted to certain obligations of Mexican financial institutions and entities supervised by the CNBV.

On March 26, 2020, the CNBV issued a decree (i) suspending the terms for certain audiences and proceedings that are carried out before the CNBV and (ii) providing for online alternatives to comply with reporting obligations that require to be physically filed before the CNBV, in order to temporarily provide regulatory relief to Mexican financial institutions and entities supervised by the CNBV (including securities issuers).

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In accordance with the decree, the Chairman of the CNBV (i) will identify critical processes that would not be suspended in order to assure the stability and due operation of the financial entities, (ii) may modify or temporarily suspend the application of legal provisions applicable to financial entities and entities supervised by the CNBV in order to provide them with administrative efficiencies and (iii) will determine authorizations that may be granted in an expedite or conditional manner. The decree will be in effect from March 23, 2020 to April 19, 2020.

III. General recommendations for issuers

Given the fact that the decrees described in Section I and II above did not provide for the deferral of specific obligations or any other relief or flexibility to comply with other obligations provided in the securities regulations, issuers must consider the following:

Reporting obligations:

The CNBV did not grant alternatives or deferrals for the submission of annual 2019 and first quarter 2020 reports to the CNBV and the corresponding Stock Exchange pursuant to article 104 of the Securities Market Law ("LMV", for its acronym in Spanish) and article 33 of the General Provisions applicable to Securities Issuers and other Market Participants ("CUE", for its acronym in Spanish). Therefore, issuers should consider the preparation and submission of such reports in the manner and timing provided for in the securities regulations.

Shareholders Meetings:

The decrees did not provide for any measures or exceptions to hold annual shareholders' meetings within the first four months of the year or to hold such meetings without a physical assistance.

Pursuant to article 181 of the Commercial Companies Act ("LGSM", for its acronym in Spanish) stock issuers are required to hold its annual shareholders meeting within the first four months of the year and pursuant to article 179 of the LGSM all shareholders' meetings must be held at the corporate domicile of the company and, therefore require the physical presence of the shareholders or its representatives. In addition, all stock issuers are required to hold their annual shareholders meetings in compliance with the LGSM. However, it is important to note that such meetings must comply with the precautionary measures established by the Health Ministry effective on the date of the meeting, which may be more restrictive than those that are in effect as of today, depending on the evolution of the Outbreak in Mexico in the coming days and could result in the cancellation of shareholders' meetings if the concentration and/or mobility of people becomes more restricted.

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As a result of the above, we recommend that all preventive measures are considered in the conduction of shareholders' meetings to ensure the safe attendance of the shareholders' representatives and that such measures are duly conveyed to the shareholders.

Material Events Reports:

Pursuant to articles 105 and 106 of the LMV and article 50 of the CUE, issuers must disclose any material events to the Stock Exchange where they list their securities for immediate disclosure to the public. In this regard, we have identified the following events that might trigger the publication of a press release:

- *Unusual trading in the market related to the price or trading volume of securities.*

The Outbreak is affecting several companies and global markets by impacting the price and/or trading volume of securities. As a result, this situation could trigger issuers' obligation to publish a material event notice, should the movements reach material thresholds. Due to the market volatility, it becomes especially sensitive for issuers and their corresponding insiders pursuant to the LMV, to observe the policies on trading with the issuer's securities. Therefore, we suggest keeping open communication with Directors, Officers and the rest of insiders as deemed by the LMV, for them to be advised on the blackout periods and be responsive to any communication asking confirmation on their trades with the issuer's securities.

- *Issuers' specific situations.* It should be noted that a material event notice could also be triggered if there is a specific situation or event arising from the Outbreak's contingency or the measures that are being taken by the authorities, which has a material impact in the financial, operative or legal situation of the issuer and that could affect the price of the securities. In connection with the above, issuers should monitor the impact that this situation could have in their ability to comply with material financings, agreements, authorizations, permits and/or concessions, and in case the issuer could be in breach of such covenants disclose such situation to the market.

- *Board of Directors or Executives:* In the event that the health of any relevant executive or member of the board or technical committee is tested COVID-19 positive, a material event notice would only be triggered once an alternate director or executive is appointed as a result of the above.

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Annual Report:

Issuers must also consider the impact that the Outbreak has or may have in Mexico and in each company's operating or financial results or outlook. As a result, issuers should consider including disclosure (i.e. a risk factor) regarding the Outbreak's impact in the results and outlook of the company and the possibility that this situation could result in a breach of covenants contained in material financings, agreements, authorizations, permits and/or concessions of the issuer.

We also advise keeping an open communication with the issuer's external advisors regarding any potential change on the accounting policies, principles or criteria as a result of effects that the Outbreak and the measures taken by the authorities to contain it may have on the issuer's business.

Due to the existence of several criteria and alternatives to address the abovementioned issues and issues regarding shareholders' and holders' meetings arising from the Outbreak, we suggest that you contact us to discuss the most convenient alternative applicable by taking into consideration several particularities such as each issuer's governing documents (i.e. by-laws or trust), current situation and outstanding securities.

Additionally, we will continue to monitor the measures that could be implemented by the CNBV in connection with the reporting obligations and any other matter that could be relevant for the compliance of issuer's obligations.

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