AMENDMENT TO THE SECURITIES MARKET LAW AND TO THE INVESTMENT FUNDS LAW

JANUARY 2024

EXECUTIVE SUMMARY

- On April 24, 2023, the members of the Finance and Public Credit Commission and the Legislative Studies Commission, Second, submitted to the Chamber of Senators the draft bill amending, adding, and abolishing several provisions of the Securities Market Law ("LMV") and the Investment Funds Law ("LFI"). It was unanimously approved by their plenary session on April 28.
- On November 15, 2023, the Chamber of Deputies plenary session unanimously approved the opinion.
- On December 28, 2023, the Decree amending, adding and repealing several provisions of the LMV and the LFI was published in the Official Gazette of the Federation.
- The National Banking and Securities Commission ("CNBV") shall issue secondary provisions to implement the amendment within a 365 calendar days term from the day following the entry into force of the mentioned decree.

AMENDMENT TO THE SECURITIES MARKET LAW

1. Simplified registration regime in the National Securities Register ("RNV")

The simplified registration process in the RNV is introduced to the LMV to encourage the intermediate sector of the Mexican securities market, in particular, to promote small and medium-sized companies to participate therein. As a result, new issuers may offer securities under a differentiated regulation following general provisions issued by the CNBV. This simplified regime has the following differentiating qualities:

a) The CNBV is authorized to issue general provisions establishing the characteristics that companies willing to participate in the simplified regime must comply with. Such regulations must be issued within one year from the enactment of the mentioned decree.

b) A more active participation of stock exchanges before and during the offering of simplified issuers, as well as the structuring of their operations, who will not be able to participate simultaneously in traditional securities offeringl.

c) The securities may only be offered to institutional or qualified investors, being public offerings optional for securities offered under the simplified regime.

It is important to stress that the current reform grants a new power to the CNBV to cancel the registration of securities in the RNV, except for shares or securities representing them, when the issuer is not up-to-date with its obligations to provide information.

2. New schemes for public companies

Sociedades Anónimas Bursátiles ("SABs") and Sociedades Anónimas Promotoras de Inversión Bursátil ("SAPIBs") will be subject to a regulatory change in the provisions applicable to their organization and operation, mainly to strengthen the participation of shareholders in the Amendment to the issuance, transfer, and scope of their shares, as well as to relax current restrictions, as follows:

a) The Amendment removes the obligation for SAPIBs to convert to SABs within ten years or upon reaching the 250 million investment units threshold.

b) Through shareholders' meetings, the quorum for dissenting votes is increased from 5% to 20% for SABs to establish statutory measures to avoid hostile takeovers (i.e., poison pills).

c) Whereas there was a limit of 25% for the issuance of shares other than ordinary shares with different rights, now there is no limit, and two or more outstanding series may be linked.

d) It will be enough to update the registration after the offer of shares due to capital increases, exempting from the need to request the registration of the new shares in the RNV.

e) Possibility for the Shareholders' Meeting to delegate to the Board of Directors the power to increase the capital stock and to amend the rules relating to the subscription of shares, including the exclusion of preemptive rights.

f) Incorporates principles of the Organization for Economic Cooperation and Development aimed at ESG (Environmental, Social, and Governance) standards, particularly a new power for the Ministry of Finance and Public Credit ("SHCP") to issue secondary regulation regarding sustainable development under said standards, after obtaining the opinion of the CNBV and the Central Bank. These provisions will force the various participants of the mark to adopt practices regarding the aforementioned standards, empowering the SHCP to promote, inform, and evaluate the adopted practices.

3. New market segments through differentiated regulation

The financial authorities, under the provisions of the transitory articles of the Amendment, will issue a secondary and differentiated regulation that will apply to issuers under the new simplified regime considering the following criteria:

a) Introduction of minimum requirements of the internal regulations for stock exchanges to carry out simplified securities offerings.

b) Simplified issuers will have a different regime regarding the disclosure obligations of public companies.

c) A limit of individual and aggregate simplified securities offers will be established.

d) Rules for rating securities offered under the simplified regime.

e) Provisions regarding stock exchanges' manuals for their simplified securities offering procedures.

f) Rules concerning the information and documentation required for the offer of simplified securities, as well as the need for the preparation of a prospectus or an information brochure, depending on whether or not a public offering is involved.

AMENDMENT TO THE INVESTMENT FUNDS LAW

The Amendment to the LFI revises the former limited-purpose investment funds to introduce a new investment alternative called Hedge Investment Funds *(Fondos de Inversión de Cobertura)*. These new funds will have a flexible investment regime regarding liquidity, risk, and diversification of investment assets, allowing them to invest in different assets from those established in their bylaws and prospectus, depending on market circumstances or the fund's needs.

Investment funds operating companies and investment advisors authorized by the CNBV may participate as founding partners and asset managers of the new hedge funds. Please note that only institutional or qualified investors will be able to invest in these funds, and they will be able to hire independent price providers from the investment funds and founding partners.

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