

AMENDMENTS TO THE GENERAL LAW OF CREDIT INSTRUMENTS AND TRANSACTIONS AND THE GENERAL LAW OF CREDIT ORGANIZATIONS AND AUXILIARY ACTIVITIES

APRIL 2024

Executive Summary:

- On March 26, the Decree was published by which various provisions of the General Law of Credit Titles and Operations and the General Law of Auxiliary Credit Organizations and Activities are reformed, added and repealed.
- In general terms, the reform is a first step towards the dematerialization of credit titles.
- As this is a pilot legislation, more profound changes are anticipated in the future.

Last Friday, March 26, 2024, the Decree amending, adding and repealing several provisions of the General Law of Credit Instruments and Transactions ("LGTOC" for its acronym in Spanish) and the General Law of Credit Organizations and Auxiliary Activities ("LGOAAC" for its acronym in Spanish) (the "Decree") was published in the Official Gazette of the Federation. In general terms, the reform is a first step towards the dematerialization of credit instruments.

Article 5 of the LGTOC now defines negotiable instruments as "the documents necessary to exercise the literal right set forth therein, regardless of whether they are issued by written or electronic means." Electronic instruments will be considered data messages under the terms of the Code of Commerce, and therefore must be issued through technological tools that allow for such issuance and their transfer, reception, delivery or processing.

In turn, the foregoing must be carried out in an electronic system that allows to confirm, with certainty, the identity of the intervening parties, the information contained in the instrument, and in the case of transfers, the continuity of endorsements and the existence and circulation of the instrument. For purposes of the delivery of the instrument, it will be deemed to have been made through said system; regarding the signature, this requirement will be deemed to have been complied with when it is attributable to the signer in accordance with the Code of Commerce.

As it is a pilot legislation, anticipating more profound changes in the future, the first institution to be homogenized is that related to the general deposit warehouses and their deposit certificates, which now must also be issued through the electronic systems determined by each warehouse, complying with the requirements contained in the LGTOC and the LGOAAC.



In addition, the Decree creates the RUCAM (The Sole Registry of Certificates, Warehouses and Merchandise for its acronym in Spanish) as a new registry in which the general deposit warehouses must record the issuance and cancellation of deposit certificates, as well as the merchandise covered by such certificates. In addition, the notices of sale and other annotations indicated by the LGOAAC and other applicable laws will be registered in the RUCAM.

Pursuant to the Transitory Articles of the Decree, the Federal Executive Branch and the National Banking and Securities Commission ("CNBV" for its acronym in Spanish) have 180 business days from the effective date of the Decree to adjust all secondary regulations (circulars, regulations, provisions) in accordance with the Decree. In addition, the CNBV must issue the appropriate rules in light of the content of the Decree within the same term.

General deposit warehouses have a period of 18 months from the effective date of the Decree to adjust their operations and issue electronic deposit certificates. They may continue issuing physical certificates only until they begin to issue electronic certificates or until the aforementioned term is met, at which time they will not be able to continue issuing physical certificates.

At Santamarina + Steta we can gladly advice you in the analysis and decision making considering this information.

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