

PUBLICATION OF THE GENERAL PROVISIONS APPLICABLE TO SIMPLIFIED ISSUERS AND SECURITIES SUBJECT TO SIMPLIFIED REGISTRATION

JANUARY 2025

Background:

- On April 24th, 2023, the members of the Second Finance and Public Credit and Legislative Studies Commission filed before the Senate the draft bill amending, adding and repealing several provisions of the Securities Market Law (Ley de Mercado de Valores) ("SML") and the Investment Funds Law (Ley de Fondos de Inversión) ("IFL").
- On April 28th, 2023, in an ordinary session of the Senate, the Senate unanimously approved the resolution amending, adding and repealing several provisions of the SML and the IFL (the "Resolution"), which was referred to the Senate.
- On December 28th, 2023, the Decree amending, adding and repealing several provisions of the Securities Market Law and the Investment Funds Law was published in the Official Gazette of the Federation (Diario Oficial de la Federación) ("OGF").
- The decree granted the National Banking and Securities Commission ("NBSC") a term of 365 calendar days to issue the secondary provisions to regulate the amending of the SML and the IFL.

Publication of secondary provisions

On January 21st, 2025, the General Provisions applicable to simplified issuers and securities subject to simplified registration ("Sole Circular for Simplified Issuers" and/or "SCSI") were published in the OGF. Such publication comes a few days after the expiration of the term granted by the decree amending the SML and the IFL from December 28th, 2023.

The SCSI was developed as a result of joint work from various authorities in the securities sector, such as the Secretary of Finance and Public Credit, the Central Bank of Mexico, the National Commission of the Retirement Savings System, as well as private

sector associations, such as the Mexican Association of Securities Market Participants. The draft of the Sole Circular for Simplified Issuers was approved at the beginning of September 2024 by the NBSC's Board of Governors, which was then submitted to the securities market participants to gather opinions. As we announced upon the publication of the SML and IFL reforms, the current trend in the Mexican securities regulation is that of openness on behalf of the financial authorities. The priority today is to allow access to the securities markets in a simpler and faster way, with a lesser, but not unimportant, regulatory burden.

Below, please find the key points of the secondary regulation contained in the SCSI:

Update of Internal Policies and Manuals on behalf of Brokerage Firms and Securities Exchanges

Among the most important actions to follow in the secondary regulation of simplified issuances will be for the securities exchanges, the Mexican Securities Market (*Bolsa Mexicana de Valores*) and the Institutional Securities Exchange (*Bolsa Institucional de Valores*) to adjust their internal policies in accordance with the terms of the SCSL. Likewise, brokerage firms must revise their internal manuals in the same terms. The latter is because the Sole Circular for Simplified Issuers provides for a variety of new powers, attributions and responsibilities for these regulated entities, which will now serve as the main channel for simplified issuers.

Eligible Securities for Simplified Registration

Securities that may be registered under this regime include the following:

- Stocks;
- Ordinary Participation Certificates;
- Securities representing corporate capital of foreign Companies;
- Debt instruments;
- Asset-backed securities; and
- Structured securities.

Limited Offering to Qualified Investors

Securities registered in the National Securities Registry under the simplified issuance regime may only be offered by Securities Market intermediaries to institutional and qualified investors under the terms of the applicable regulations.

Simplified Issuer Levels

Two levels of simplified issuers have been defined according to the maximum amounts per issuance and accumulated per fiscal year:

- **Level I:** Includes issuers of debt instruments with a maximum amount of 75 million Investment Units ("IU") per issuance and up to 900 million IU accumulated per fiscal year.
- **Level II:** Includes issuers of debt instruments or asset-backed securities, with amounts up to 1,250 million IU per issuance and accumulated per fiscal year.

Requirements and Limits for Simplified Issuers

Simplified issuers must comply with:

- Maximum amounts per issuance and accumulated per fiscal year of up to 1,250 million IU.
- Adoption of the corporate type of Investment Promotion Companies (*Sociedades Anónimas Promotoras de Inversión*), in the case of stock issuers.

Credit Quality Opinions

- Level II issuers and those issuing asset-backed securities must file an opinion on the credit quality of the issuance, rendered by a securities rating institution.

Disclosure and Reporting Obligations

- Simplified issuers must provide annually to the securities exchange and the general public the financial statements audited by an external auditor, with a favorable or unmodified opinion.
- The securities exchanges may require additional information that allows investors to know the financial, legal and administrative situation of the issuers, therefore identifying relevant events.

Review and Opinion of the Securities Exchanges

- The securities exchanges will review the information filed for simplified registration and issue their opinion.
- They may include in their internal regulations additional requirements, such as corporate governance features, minority rights and guidelines for delisting bids.

Role of the National Banking and Securities Commission

The NBSC will not verify the documentation filed by the issuers or the information disclosed to the investing public. Such regulator must carry out the simplified registration of the securities before the National Securities Registry within a maximum term of two business days.

Cancellation of Registration

- The registration may be cancelled at the request of the simplified issuer or the securities exchange, always with the favorable opinion of the latter.
- For debt or asset-backed securities, the cancellation will require that the issuer complies with its obligations or files the resolution of the holders' meeting that determines the cancellation of such registration.

Obligations of the Intermediary

Intermediaries must, among other things:

- Verify that issuers comply with applicable legal and regulatory requirements;
- Inform investors about the risks of the securities issued;
- Keep the issuance file for five years after the cancellation of the registration; and
- Establish in their internal manuals minimum requirements applicable to each issuance.

General Registration Requirements

In order to obtain simplified registration, issuers must:

- Have at least two years of operation and generate revenues derived from their principal activity;
- Have financial statements audited by an independent external auditor, prepared under recognized standards such as the International Financial Reporting Standards;
- In the case of asset-backed securities, the trustor must contribute the assets destined to the payment of the issuance, and must also comply with the requirements of seniority and origin of its income.

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