

# TERRUM

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Investment Law.

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"DILIGITE JUSTITIAM QUI JUDICATIS TERRAM." "Ye who judge the earth, give diligent love to justice"

# Amendments to the Foreign Investment Law.

by Luis Enrique Butrón.

The purpose of the Foreign Investment Law is to establish a new regulatory framework, with full adherence to our Constitution, in order to promote the country's competitiveness, provide legal certainty for the foreign investment in Mexico and to establish clear rules to channel international capital for productive activities. This transformation has changed the prevailing development models in past decades. In particular, in recent history, foreign investment has been a fundamental tool in the economic development of nations. These rules have also allowed for the introduction and spread of new technology, and the generation of more productive and better paid jobs. In countries with open economies, foreign investment has been linked to an export orientation that allows for more efficient use of resources and the strength and competitiveness of the economy, which thus contributes to sustained economic growth.

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By Presidential Decree, published in the official gazette on October 31, 2014, the regulation of the foreign investment law and the national register of foreign investments was reformed.<sup>1</sup>

The subject of registration with the Registry is divided into three sections. First Section: Individuals and foreign entities that routinely perform acts of commerce in Mexico. Second Section: Mexican corporations with foreign investment in their capital stock. Third Section: Trusts of shares, stocks, real state or neutral investment giving rights in favor of foreign investment. Registration must be made within 40 working days from the date in incorporation or the participation of the foreign investment; formalization or notarization of documents concerning the foreign company; or constitution of the respective trust or granting of trustee rights for foreign investment.<sup>2</sup>

As of January 28, 2015, companies with foreign investment must present a notice of quarterly update within 10 working days of the end of each quarter, in those cases where the update exceeds \$20,000,000.00 (Twenty million Mexican Pesos).

The notice must report a quarterly update when any of the following situations occur during the quarter:

- A change of name, domicile or activity.
- Changes to the capital structure involving a change in the capital stock of the individuals or legal

1.- The register depends on the Ministry of Economy and is under the direction of executive secretary of the national commission on foreign investment. Physically, the register is under the general direction of foreign investment and the 51 federal representatives of the Ministry of Economy.

2.- Article 32 of the Law on Foreign Investment.

persons of nationalities other than Mexican, for an amount, in absolute value, to \$20,000,000.00 (Twenty million Mexican Pesos)

- Higher charges and credits to \$20,000,000.00 (Twenty million Mexican Pesos)

Before the amendments to the law, there was not established a minimum amount to present the quarterly report.

The report shall have attached a copy of the basic financial statements in accordance with existing norms of financial information (statements of financial position, statements of income, statements of changes to capital and statements of cash flow).

“By Presidential Decree, published in the official gazette on October 31, 2014, the regulation of the foreign investment law and the national register of foreign investments was reformed.”

Those responsible for enrolment must annually renew their registration record, which by submitting an economic-financial report.<sup>3</sup>

The renewal must be made within the first 5 months of each year, according to the following schedule depending on the first letter of the subject of registration:

- “A” through “J” in April.
- “K” through “Z” in May.

Before the amendments to the law, the renewal should be done within the first seven months of each year under the following schedule:

- “A” through “D” in April
- “E” through “J” in May
- “K” through “P” in June
- “Q” through “Z” in July.

Mexican companies with foreign investment in their capital stock must submit the aforementioned annual report if any of the following accounts is greater than the amount set by the National Foreign Investment Commission. The amount is \$110,000,000.00 (One Hundred Ten Million Mexican Pesos):

- Initial total assets

*3.- Article 35 of the Law on Foreign Investment.*

- Final total assets
- Initial total liabilities.
- Final total liabilities.
- Income in the country and abroad.
- Costs and expenses in the country and abroad.

Before the amendments to the law, there was not established a minimum amount to present the annual report.

The primary purpose of the amendments to the law is to reduce up to 70% the annual paperwork burden presented in the National Registry of Foreign Investment, thus reducing the obligations of the companies regarding the submission of notices about his financial situation that do not exceed the amount of investment which established the National Commission on Foreign Investment by general resolution published on February 23, 2015.



## **Mexican Taxis Battles Uber for Equal Rights.**

During the last month Taxis in Mexico have been complaining about the lack of regulations for US car Service Uber. Taxi drivers from all around the city have gathered and, in an attempt to pressure the government for Uber regulation, have blocked many of the main streets in the cities. Nonetheless, this move actually backfired on the taxi drivers for after the blockages Uber usage in Mexico City went up 400%. Despite this taxi drivers are still pressuring the government for Uber to be regulated and to stop the driver's jobs from being taken away from them. The Mexican Government has announced that during the next few weeks, in mid-July, they will be reaching a decision as to if they will be regulating Uber and how they would go about to do it. *Reforma 21/06/15.*

## **Mexico announces underwater gas pipeline to Texas.**

A 500-mile underwater pipeline will carry natural gas from South Texas to the port of Veracruz. The Mexican government has announced plans for nearly US\$10 billion worth of electricity and natural gas infrastructure projects, including a gas pipeline under the Gulf of Mexico from Texas to the port of Veracruz. The Federal Electricity Commission said Monday that the costliest project would be the 500-mile underwater pipeline for carrying natural gas from South Texas. The pipeline is intended to go into operation in June 2018. Officials hope that facilitating the importation of cheap natural gas will help lower Mexico's electricity rates. Other projects include power plants, electricity distribution, transmission lines and electrical substations. *El Universal 24/06/2015.*

## **AT&T to invest 3 Billion Dollars in Mexico.**

US company, AT&T, has announced plans to invest 3 billion dollars in Mexico according to reports made after a meeting between the company and Mexican President Enrique Peña Nieto. These plan include bringing a high speed and high coverage mobile network to Mexico by 2018. It has been predicted that the network will reach about 75 million people by the end of 2016 and 100 million by 2018. The company's plan in to create the first ever "North American Mobile Service Area" which is expected to cover 400 million people from the US and Mexico. *Teleography 26/06/2015.*

## **F1 Racing Returns to Mexico.**

On June 27, 2015 Mexico City's downtown will be home to the return of the F1 racing in Mexico. The Plaza de la Constitución, located in Mexico's Centro Historico, will witness high speed racing at its best. 180 km of street have been turned into a track in which many of the top drivers in the world will participate. Around 50,000 people are expected to attend the event which is going to be the first taste of the grand return of the F1 in Mexico which is due to take place in October 2015. Despite this race being only 4 laps the Mexican population is ecstatic to take place in one of the world's most popular sports. *Reforma 26/06/15.*

*In this month extract was prepared by Vera García, Pablo Domette, Lorena Gay and Harumi Wakida.*

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