

## New Expedited Procedures for Company Formation in Mexico

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In June 2009, the Mexican government announced plans to streamline the process of forming new companies to make it more efficient and less cumbersome to set up a new business. At the time no details of the proposed changes were provided. The current process can take up to 20 business days and requires filling out numerous forms and filing numerous documents with various governmental agencies.

The Mexican government has now announced how the new process will work, most of which will take place online. The initial steps to incorporate a company - obtaining the required approvals of the company name and tax ID number, making the required filing with the Social Security Employer registry, and filing the incorporation documents with the public registry - will now be done via the internet and should take no more than 2 hours if all necessary information is provided with the application. The required fees can be paid online. This option is available only for the formation of two types of companies: an S.A. de C.V. and an S. de R.L. de C.V. This process presupposes that the articles of incorporation and company bylaws will be basic standard forms.

Once the online registration is complete, the articles of incorporation produced by this new system must still be formalized before a Mexican Notary, which requires a personal appearance to sign the necessary documents and will continue to add time to the formation process. Nevertheless, the new system should streamline formation of companies that do not need specially drafted bylaws or articles, such as wholly owned subsidiaries or smaller companies. It will also be of benefit to persons who need to form a company quickly, as the simple form of articles and bylaws can always be amended once the company is formed. Despite simplification of the process, we advise consulting Mexican counsel prior to organizing a company in order to ensure that all necessary formalities are properly observed.

At present the new system is only available in the following locations: Mexico City (DF), and the states of Coahuila, Guanajuato, Sinaloa, Nuevo León, San Luis Potosí, Campeche, Morelos and Jalisco. These states collectively account for 70% of the companies formed in Mexico.

If you have questions or need assistance with your operations in Mexico, please email Michele M. Compton at 313.496.7916 or Richard A. Walawender at 313.496.7628.