

## Mexican House of Representatives Adopts New Corporate Legislation Permitting Sole Shareholders

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Operating a business in Mexico just got a whole lot easier -- especially for U.S., Canadian, and other foreign companies.

The Mexican House of Representatives has approved legislation revising the General Corporation Law to permit companies to have only one shareholder or partner.

Previously, both corporations (S.A.) and limited liability partnerships (S. de R.L.) were required to have a minimum of two shareholders or partners.

The change eases the formation process for start ups and simplifies corporate governance for foreign companies with wholly-owned subsidiaries already in Mexico.

The new decree allows limited liability companies and corporations to be established as a single proprietorship. It also provides that existing companies with more than one partner or shareholder may adopt a single proprietor status, eliminating the need for two shareholders or partners for existing companies. The limitation of liability will not be affected, so single proprietors will have the same legal protections currently available to companies with multiple shareholders or partners.

As soon as the President signs and the legislation is published in the Official Journal of the Federation -- which is anticipated shortly -- the changes will go into effect and become enforceable the day following their publication.

Important amendments include:

- A single proprietorship means a company created and permitted to exist with only one partner or shareholder. The new designations are:
  - EURL (empresa unipersonal de responsabilidad limitada) for a limited liability partnership with a single partner
  - EUA (empresa unipersonal anonima) for a corporation with a single shareholder
- Single proprietorships will include:
  - Single Proprietorship since its creation: constituted by a single partner or shareholder, which may be either an individual or another entity, and
  - Single Proprietorship occurrence: a company that was formed by two or more shareholders or partners, but subsequently all shares or equity interests have been concentrated in the hands of a single partner or shareholder. Prior to the adoption of this new law, such an event would not have been permitted.