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Von Wobeser y Sierra

Editorial

In recent months, social and economic uncertainty has intensified both in Mexico and around the world. Yet despite this, and in addition to a number of trade-related, financial and political setbacks, Mexico has stayed relatively stable.

The nation continues to renegotiate the North American Free Trade Agreement (NAFTA). As we anticipated, this has been a complex, even harrowing process during which we've seen considerable advances that soon after seemed to vanish due to unfortunate declarations or decisions out of Washington.

Though the risk the White House may denounce NAFTA persists—for reasons having more to do with propaganda than economics—we nonetheless believe it likely a new accord will be reached and that its conditions will be satisfactory to Mexico. In addition to our negotiators' expertise, this also has to do with the fact that the NAFTA trading block works to the benefit of the United States and, in particular, to US states and regions thought to be conservative, which can be seen as pressure point for Republican president Donald Trump.

At the same time, we in Mexico are immersed in an electoral process that on 1 July will lead to the election of 3,000 popular representatives, including federal deputies and senators as well as the nation's new president. To date, campaigns have been characterized by a predominant pragmatism in terms of ideology and principles, as well as by the voting public's distaste, if not demoralization, now at levels not previously seen in the nation's recent history.

The election represents a true trial by fire when it comes to the political maturity of Mexican voters. We must be able to look beyond unceasing attacks and defamations between candidates in order to assess platforms and proposals for governance—even as they strike us as inadequate—as well as ways to make them a reality. Voters will also need to be able to set apart the most objective and impartial information available, while ignoring that of dubious provenance, *i.e.*, what comes from obviously tendentious organizations, media and individuals.

Whoever ultimately wins the election, we are sure he or she will make the best decisions in favor of Mexican society in general and not just on behalf of a few favored sectors. Behind the new president will be a nation that thirsts for wellbeing, equality and justice, and is willing to demand as much.

Claus von Wobeser

New Commercial Partnership-Dissolution and -Liquidation Protocols

A decree dated 12 December 2017 that reforms and amends multiple provisions of Mexico's General Commercial Partnerships Act (Ley General de Sociedades Mercantiles, LGSM) was published in that nation's *Official Federal Gazette* on 24 January 2018.

By means of such reforms and amendments:

- A new dissolution and liquidation protocol that incorporates certain simplified aspects and will be applicable to commercial partnerships that meet requirements (to be described below) has been established;
- A new dissolution cause—"by judicial or administrative resolution handed down by the appropriate courts […]"—has been added;
- It has been stipulated that all reasons for dissolution will be immediately entered into Mexico's Public Business Register (Registro Público de Comercio, RPC). A failure to comply with this registry would allow any interested party to request as much incidentally (if the dissolution is by judicial resolution) or summarily from judicial authorities. Judicial authorities can also designate liquidators and—in cases of gross cause—revoke a naming of liquidators by request from a partner or shareholder.
- An alternative whereby liquidators safeguard the partnership's books and other documents on electronic or optical platforms or platforms arising from any other technology (provided they comply with guidelines the Ministry of the Economy has established) is now available; the mandatory conservation time for that information has been reduced from ten to five years when the simplified protocol is selected.

Only commercial partnerships that meet the following conditions can choose the simplified protocol:

- They are solely constituted by partners or shareholders who are private individuals;
- They do not work to illicit ends or habitually commit illicit acts;
- They have posted notice of inscription in the special partners' book or shares registry, including the current shareholder structure, in the Ministry of the Economy's Commercial Partnerships Electronic Publishing System (*Sistema Electrónico de Publicaciones de Sociedades Mercantiles*, hereafter "the System") at least fifteen business days previous to the assembly at which the partnership's dissolution is agreed to;
- They have not issued invoices nor conducted business during the two years previous to the dissolution agreement;
- They are current with regard to compliance with labor-, tax- and social security-related obligations;
- They hold no financial liabilities with any third parties;
- None of their legal representatives are individuals subject to criminal prosecution for alleged debt-collection- or tax-related offenses;
- They are not undergoing debt restructuring; and
- They do not belong to the Mexican financial system as determined by special legislation that may be applicable.

Commercial partnerships that meet these stipulations can pursue the new, simplified protocol, to be undertaken according to the following guidelines:

1. The dissolution and liquidation must be agreed to by all partners or stockholders, who must also elect a liquidator from among themselves. The agreement is to be published in the System, free from any further formalities, within five business days from the date of the agreement.
2. Mexico's Ministry of the Economy (Secretaría de Economía, SE) will certify the agreement and, when deemed legitimate, it will be electronically delivered for RPC inscription.

3. Partners and shareholders are to hand over partnership books, property and documents to the liquidator within 15 business days following the date of the agreement.
4. The liquidator will distribute partnership assets as correspond to every partner or shareholder, within 45 business days following the date of the agreement.
5. Once the partnership has been liquidated, the liquidator will post a final balance to the System within 60 business days following the date of the agreement.
6. Finally, the SE will process the company folio's cancelation registry in the RPC and will notify the appropriate tax authorities.

It is additionally established that in the event partners or shareholders should commit any misrepresentations during the liquidation process, they will be obliged to respond as one and without limit to third parties, notwithstanding any other liabilities they may have incurred as regards criminal matters.

CONSIDERATIONS

Supporting legislators argue that facilitating the business-closing process drives the market's dynamic efficiencies by streamlining the exit of less functional businesses and thus promotes using resources for more productive activities. The premise strikes us as valid, though it is hard to understand limitations that have currently been imposed in the form of rather strict requirements.

It is not clear how this new simplified protocol can provide a solution to problems surrounding this issue, given that only companies whose shareholders or partners are private individuals, up-to-date on debt servicing, etc., can access the "benefits" offered.

We also understand this simplified protocol—that requires no intervention on the part of authorities or notaries public—removes certain security filters, but we believe that in practice this will be minimally useful since it is open only to healthy companies fully up-to-date on their debt-servicing and who meet all other requirements. Therefore incentives for breaking up partnerships would seem to be insufficient.

Typically it is companies undergoing difficulties that need simplified paths as a means of avoiding costly, all-but-unending dissolution and liquidation processes. Something that would achieve as much, naturally, would require a number of much more technical and realistic reforms and not just on the part of the LGSM.

In short, from our viewpoint, the reform should be supported by a stronger rationale that justifies establishing such strict requirements for leveraging the new protocol.

On the other hand, we cannot ignore the fact sanctions are being imposed that—while they apply only in instances of misrepresentation—would infringe shareholder rights comprised in the same regulation that has been amended and reformed. It therefore seems unlikely parties would choose a path that could be detrimental to their wealth, least of all in the case of private individuals.

It is also noteworthy that this reform is destined just for businesses made up of private individuals. We can suppose that small-, micro- and medium-businesses were in the forefront of legislators' minds, but also that shareholders in entirely defunct businesses (that as such could not meet the above described requirements) would prefer to avoid additional expenses, regardless of expedited methods that may exist to dissolve and liquidate companies that imply neither cost nor any other burden.

CONCLUSION

Only after having entered into effect on 25 July 2018 will it be possible to analyze if the new protocol effects a truly positive impact on the mentioned problems or has merely been incorporated into commercial legislation as a rarely used protocol.

Regardless of outcomes, at Von Wobeser y Sierra we are ready to support our clients, respond to their needs and clarify doubts that arise from the new protocol. •

Mexico's New Stock Market

INTRODUCTION

On 29 August 2017, Mexico's Ministry of the Treasury and Public Credit (Secretaría de Hacienda y Crédito Público, SHCP) announced a concession title it had granted to Bolsa Institucional de Valores, S.A. de C.V. (hereafter "Biva") to organize and operate as a stock market. Operations will commence in coming weeks.

Biva bases its offering and comparative advantage on the use of alternative technologies. Central de Corretajes, S.A.P.I. de C.V.—Biva's majority shareholder and a corporation with 27 years' experience managing business trade groups focused on financial market infrastructure development in Mexico, the US and Latin America—entered into an agreement with NASDAQ to use X-Stream trading systems, a platform with which they operate more than thirty stock markets worldwide. The endeavor also enjoys backing from NASDAQ-Smarts, which assures its transparency and integrity (among other key considerations).

Since 1975 and to date, Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV) was the nation's sole entity to enjoy such as concession. BMV now has 120 years' experience in the business and has at certain times shared the work it does with other stock exchanges such as those at Monterrey and Guadalajara.

STOCK MARKET OPERATION REQUIREMENTS

For a stock market to do business in Mexico, it must acquire a federal government concession granted at the discretion of the SHCP and based on opinions Mexico's National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, CNBV) issues.

Concession applications for organizing and doing business as a stock exchange must meet with sundry legal requirements and must include appropriate documentation. A "General Operating Plan" figures among the most notable and must include the following elements (among others):

1. The securities to which it intends to provide services;
2. Exchange venues, installations and negotiation platforms;
3. Security measures to guarantee information integrity;
4. The internal governance project;
5. Operations policy and protocol manuals;
6. Audit programs to be applied to members and issuers that list its securities; and
7. Oversight programs for establishing prices, to include transparency, rectification and integrity.

Additionally, the prospective stock exchange must hold verified bank deposits equivalent to 10% of the company's minimum capital and establish policies and guidelines so that issuers, securities-market middlemen and designees comply with the abovementioned internal regulation.

As well—and before initiating operations—stock exchanges must accredit that:

1. They hold minimum, paid shared capital;
2. Board members, the general director, directors and commissioners meet Stock Market Act requirements as well as those the CNBV issues; and
3. Possess necessary infrastructure and internal controls.

Not least of all, for Biva to begin operations it must develop operative negotiation systems, public disclosure systems, and follow-up and oversight systems for operations realized as part of their operative negotiation systems as well as in relation to compliance with stock-listing and list-maintenance requirements.

POTENTIAL BENEFITS

While it is still far too soon to observe possible outcomes and benefits the new concession will bring to the Mexican securities-exchange realm, the mere fact that a second stock exchange may soon operate in Mexico immediately sends out a signal to the nation's financial system, perennially considered as significantly undersized in relation to what an economy and population like Mexico's merits.

According to what the market has been told, the Biva project will seek to change investor culture and make it easier for medium-sized businesses to trade on the exchange and will thus give rise to a more inclusive market. To that end, Biva—in accordance with what its General Operating Plan stipulates—will cooperate with various financial authorities and will focus on supporting the stock market as part of Mexico's growth and development.

What's more, it is expected the second stock exchange will add continuity to the market, alongside greater liquidity, and will help attract additional investors to in turn strengthen and expand the Mexican economy. According to a Scotiabank analysis, Mexico will become the world's sixth-largest economy by 2020, for which reason the current time constitutes a good moment for leveraging recent years' positive inertia.

Under the premise that the objective and motivation for evaluating and, where appropriate, authorizing the creation of a new Mexican stock market is to generate competition, the SHCP undertook a number of studies to analyze the project's impact and viability. Results showed a second stock exchange would indeed give rise to benefits both for stock-exchange users as well as the domestic economy.

Additionally, this second stock exchange would contribute to market development by reducing listing, maintenance and transactions costs issuers and financial middlemen collect. At the same time, operational processes and product-offering should improve due to the competition that will probably be produced. This would also have a positive effect on stock-trade margins, which would translate into a reduction in overall costs.

One of the greatest challenges, however, is assuring both exchanges' operational coexistence and interconnection.

It should be pointed out that other countries such as the United States, Canada, England, Spain, France and Italy currently support two or more stock exchanges and this has exerted a positive impact on their economies. Economies resembling Mexico's, such as Brazil's, are currently in the process of approving a second stock exchange. •

US Tax Reform and its Possible Effects in Mexico

GENERAL CONSIDERATIONS

On 22 December 2017 the President of the United States signed a tax reform project (hereafter known as the "reform") that the US Congress had approved on 20 December of the same year. Starting from its entrance into effect, on 1 January 2018, the reform implied major changes for individuals and corporations paying income tax there.

Below we highlight what we believe to be the most relevant points that have emerged from our analysis of the reform:

- The corporate income tax rate has been reduced from 35% to 21% at the same time the ability to deduct state income tax payments has been disallowed.
- Individual income tax rates have been reduced temporarily, till December 2025 (notably, the highest possible tax rate has been reduced from 39.6% to 37%).
- In certain cases, individual exemption amounts for taxes on donations, inheritances and transfers has been increased from five to ten million USD.
- Anti-erosion measures known as the Base Erosion Anti-Abuse Tax, on certain payments US tax residents make to related parties who reside abroad and which have already been deducted, have been incorporated.
- An immediate, 100% deduction of investments in new and used fixed assets, acquired and put into service after 27 September 2017 and up until 1 January 2023, has been allowed.

Following are some important effects of the reform we recommend Mexican individuals and corporations who do business or who have relationships with the US assess:

- A potential difficulty accrediting income tax paid in the US against owed income tax in Mexico (*impuesto sobre la renta*, ISR) derived from a source of income in the former country. This is a function of the fact that due to different tax rates, creditable US income tax could be less than that which was allowed before reforms in accordance with formulae and limits that form part of Mexico's ISR Act.
- Fewer mergers and acquisitions in Mexico on the part of US residents, since it will be increasingly attractive to do business and make investments in the US, due to a lower tax rate than that of the general applicable corporate rate in Mexico (30%). That said, the fact that many operating costs (*e.g.*, labor) are significantly lower in Mexico could attenuate this effect considerably.
- The potential application of regulations regarding preferential tax rates on investments realized through US-based entities, derived from the reduced, 21% corporate tax rate.

With regard to mitigating measures Mexico might adopt, the nation's Chamber of Deputies issued a 23 January communiqué announcing the Ministry of the Treasury and Public Credit (Secretaría de Hacienda y Crédito Público) is currently analyzing the reform's impact to evaluate Mexico's real competitiveness loss, among other elements.

That said, the reduction to US corporate income tax rates would not seem in principle to represent a severe problem for the Mexican government. According to Adjunct Minister of the Treasury and Public Credit Miguel Messmacher Linartas, if one considers that state taxes are no longer deductible, the effective income tax rate, despite the reduction, comes in at 27%, which is not so different from Mexico's general ISR rate of 30%.

CONCLUSIONS

It is still too soon to precisely understand both the impact the reform will have in Mexico or the actions

the Mexican government will take to mitigate adverse effects that may emerge. Nevertheless, among the first measures that might be taken could be the reduction of the general corporate income tax rate, as well as tax stimuli aimed at capital-repatriation and the immediate deduction of new fixed-asset goods applicable to investments made in Mexico. Ideally this deduction would be identical to the one the LISR offered until 31 December 2013 and restrictions on current stimuli—that have a temporary lifespan and have been granted by decree—would be eliminated.

At this time, however, Mexico cannot adopt critical tax-reduction measures that may have an unsustainable effect on public finance. To be truly viable, this reduction would have to be compensated for by other actions, such as the creation of new taxes or expanding the taxable IVR base, which is not likely to be feasible in light of next July's presidential elections.

Until Mexico's Ministry of the Treasury announces measures to mitigate possible effects, we suggest evaluating opportunities, risks and tax impacts the reform could imply in the US for business activities and investments that have contact points with said country, given the new tax schedule came into effect on 1 January, as noted. •

The Importance of IMMEX-Related Compliance with Foreign-Trade General Regulations Appendix 24

In recent years, Mexico's Tax Authority (Servicio de Administración Tributaria, SAT) has enhanced control and collection of taxes related to the foreign-trade operations businesses undertake through the IMMEX program. It is therefore important such companies verify the inventory control systems they use for their operations comply with all legal and operative requirements contained in Foreign Trade General Regulations Appendix 24.

Unfortunately, not all software programs on the market that purport to be IMMEX-associated inventory-control systems meet all the abovementioned regulatory appendix's legal and operative requirements.

In addition to complying with those requirements, it is indispensable IMMEX-related business inventory control systems receive ongoing and timely updates at the same time they are operated by personnel that has been properly trained to do so.

In synthesis, any inventory-control system must be able to provide a business with sufficient elements and reports to accredit that merchandise brought into the country under temporary importation schemes was indeed the object of transformation and was sent back abroad within legal timeframes appropriate legal strictures may establish.

A deficient or out-of-date inventory-control system can bring on highly negative legal and economic consequences for companies, even when those companies have duly processed merchandise and returned it abroad on time. The proper system is the only suitable instrument allowing businesses to accredit to tax authorities that temporarily imported commodities were sent back abroad on time and in the proper manner.

Businesses that do not maintain a solid inventory control system—even when this happens out of ignorance—can be subject to tax obligations that include not just payments for temporary importations that were overlooked in legal terms (General Importation Tax, Customs Processing Rights and added-value sales taxes) complete with updates and surcharges, but also compensatory quotas and fines applicable due to legal regulation infractions.

Additionally, commodities whose timely return is not accredited become property of the federal treasury and their commercial value must be reimbursed even if they are no longer under the business's control. Customs officials may even consider that a smuggling-related offense has been committed.

For all the above reasons, it is critical for all IMMEX program-related businesses to verify the software they are using as inventory control systems meets all Appendix 24 legal requirements, is kept duly and regularly updated and is operated by qualified personnel.

Regardless of the situation, it is always possible to "reconstruct" inventory control systems that comply with Appendix 24 and thus avoid conflicts with authorities. •

Definition of notions of *Isolated Supply*, *Proprietary Needs*, *Economic Interest Group* and *Local Generation* within the Framework of Mexico's Electrical Industry Act

In order to keep the electrical sector's regulatory framework updated in line with industry realities, Mexico's Energy Regulatory Commission (Comisión Reguladora de Energía, CRE) published accord A/049/2017 in that nation's *Official Federal Gazette* on 21 November 2017. According to the agreement, the CRE determines interpretative criteria for the concept of *proprietary needs* (*necesidades propias*) included in the Electrical Industry Act's Article 22; describes the notion of *isolated supply* (*abasto aislado*), and also explains the new figure of *local generation* (*generación local*).

The accord defines *isolated supply* as the exportation, importation or generation of electrical energy to satisfy proprietary needs, when that energy is not transmitted by Mexico's National Electrical System (Sistema Eléctrico Nacional, SEN). To speak of isolated supply, such energy must be transmitted along private networks.

The accord additionally declares that *proprietary needs* is understood as electrical-energy generation consumed by the load center(s) belonging to the owner of the power plant or the private individuals or corporations that form part of the same economic interest group.

In terms of the accord, an *economic interest group* exists when at least one of the following criteria is met:

- Directly or indirectly, an entity is the title-holder or possessor of more than 50% of the partner capital of two or more corporations; or indeed, is the title-holder or owner of stock shares whose value represents the greatest percentage of those corporations' partner capital;
- Directly or indirectly, one or several entities are charged with directing or administering one or more corporations by virtue of the faculties granted to them by their position within management and/or administrational structures of the company or companies in question;
- An entity enjoys the ability or the right to designate the majority of administrative board or equivalent organ members at another entity; and
- Directly or indirectly, an entity has the ability or the right to name the director, general manager or principal leader at other entities.

In addition to *isolated supply*, a new notion called *local generation* (*generación local*) is created that refers to the export, import or generation of electrical energy to satisfy demand at one or several load centers that may or may not belong to the same economic interest group, provided said energy is transmitted over private networks.

Both notions (*isolated supply* and *local generation*) confer a right on owners to temporarily or permanently interconnect with the SEN as a means of selling surpluses, as well as for plant owners to acquire the consumable electrical energy they may need, alongside related products, in Basic-Supply, Qualified-Supply and Final Market Participant User modalities, as appropriate, following the ratification of the applicable connection contract and in compliance with Wholesale Electrical Market Rules.

Finally, the accord states that Mexico's National Energy-Control Center enjoys a maximum timeframe of four months for adopting the abovementioned criteria and definitions, thus allowing power plants and load centers to undertake isolated supply and local generation in line with their interests. •

Water-Use Regulation for Non-Traditional Hydrocarbon Deposits

The 30 August 2017 publication of "Guidelines for Protecting and Conserving Mexico's Waters in Non-Conventional Hydrocarbon Deposits Exploration and Extraction" ("Lineamientos para la protección y conservación de las aguas nacionales en actividades de exploración y extracción de hidrocarburos en yacimientos no convencionales," hereafter known as "the Guidelines") marks a new era for environmental regulation when it comes to non-conventional hydrocarbon deposits.

Non-conventional deposits are those wherein hydrocarbons are found in rocks that are more compact or less permeable, comparatively speaking, than those of conventional deposit rocks.

"Fracking" (*i.e.*, hydraulic fracturing) at non-conventional deposits represents a significant economic sector. Although it is more expensive than conventional methods—and implies greater environmental risks and impacts, due to waste-management, high levels of water consumption, to-soil leakage and pollutant spills into aquifers, etc.—fracking is still an economically appealing and efficient technique for extracting petroleum from such deposits.

As is well known, extraction by fracking has a direct relationship with water—and in particular, federal water—management. The issuance of guidelines by Mexico's National Water Commission (Comisión Nacional del Agua, Conagua) is inscribed within this framework.

The Guidelines establish that Mexico's federal waters' annual availability average should be verified in the contractual or concession area, *i.e.*, there should be availability within the annual committed federal-water volume to develop the extraction project.

Federal waters' current situation does not always guarantee such availability, above all if we remember the majority of fracking projects will be developed in the nation's north, where water resources are more limited. To confront this difficulty, the guidelines roll out the following measures:

- Promote the transfer of concession titles that have been granted at the corresponding aquifer or basin;
- Request concession titles for extracting interior marine or territorial waters for desalination; and
- Promote authorizations for using non-committed waste-water that originates from public use in cities.

The Guidelines distinguish two important fracking phases: exploration and exploitation. Requisites for acquiring federal water use- and exploitation-concessions are distinct in each case, as indicated in articles 7 and 8. In the first case, the main requirement is an "exploration plan." In the second, it is an "extraction development plan." Both are to be approved by Mexico's National Hydrocarbons Commission (Comisión Nacional de Hidrocarburos, CNH).

If the project requires hydraulic infrastructure construction in federal areas, a construction permit must be in place, for which the appropriate environmental-impact assessment must be requested and received.

Thus the first thing that must be done to extract hydrocarbons from non-conventional deposits is to seek CNH approval of the exploration and/or extraction plan. When the project requires hydraulic infrastructure construction in federal areas, it is advisable to simultaneously seek appropriate plan authorizations from the CNH as well as environmental-impact-related authorizations with Mexico's Ministry of the Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales).

Finally, Conagua is obliged to evaluate the viability of projects with regard to federal water use and exploitation and must always advocate for the water's stewardship and the conservation of the environment in general. •

Relevant Aspects of the Labor Reform Initiative

On 7 December 2017, an initiative was presented to the Mexican Senate in favor of a decree to issue a "Federal Labor Conciliation and Registry Institute Act" (Ley del Instituto Federal de Conciliación y Registro Laborales) as well as reform, amend and repeal certain dispositions in the Federal Labor Act (Ley Federal del Trabajo, LFT), the Para-State Entities Act (Ley de Entidades Paraestatales), the Federal Organic Public Administration Act (Ley Orgánica de la Administración Pública Federal), the Social Security Act (Ley del Seguro Social) and the National Fund for Worker Housing Institute Act (Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores).

The initiative must still be sent to legislative committee for debate and eventual ratification in full sessions in both legislative chambers.

It is the outcome of constitutional labor reform published on 24 February 2017 that, strictly speaking, should have entered into effect on 24 February 2018.

Certain particularly noteworthy changes come out of the proposed legislation.

1. In accordance with constitutional reform on the matter, which establishes that the implemented labor justice system is to remain the jurisdiction of federal and local labor courts belonging to the Federal Judicial Branch as well as the various states, respectively, a new, standard protocol—characterized by its both sole- and mixed-government-agency nature—will be created for labor matters. In general, it will consist of two phases, one written and another oral.
2. Special protocols are to be created to resolve conflicts having to do with reinstatement or indemnification for wrongful dismissal, or indemnification for work-relationship annulment for reasons that can be imputed to employers. In essence, these protocols establish shorter timeframes than those of the current standard protocol, leading to timelier dispute resolution.
3. Regarding conciliation functions, a Federal Labor Conciliation and Registry Institute (Instituto Federal de Conciliación y Registro Laborales, hereafter "the Institute") will be created, alongside "conciliation centers" in the various states, to carry out that function as a mandatory pre-trial phase; without the certification those agencies provide, complaints presented to labor courts cannot legally proceed. Notably, a separate section for alternative means for labor-related dispute resolution, regulating and establishing all conciliation protocols, will be added to the LFT.
4. Conciliation protocols can be initiated by employers or workers by means of a conciliation hearing request. This request will suspend the prescription period for carrying out any actions; the respondent is to be personally notified of the request, in accordance with rules established for judicial proceedings. Note that if employers fail to appear at conciliation hearings, they will be assumed to have rejected the entire agreement and will be fined a sum equivalent to 50 times the official "unit of measure and actualization;" workers who fail to appear will be subject solely to the first assumption. In both cases the conciliation protocol will be deemed closed and the abovementioned proof of conciliation will be issued.
5. When an agreement cannot be reached at the conciliation hearing and it is still the intention of the parties to pursue conciliation, other conciliation hearings can be identified. If no agreement is reached, both parties will receive a proof of conciliation efforts in order to proceed to legal action.
6. The new institute will additionally be responsible for registering collective labor agreements and internal work rules throughout Mexico. As well, it will take on registering labor unions, federations and confederations constituted within Mexico and will determine if these registrations are or are not legitimate.

7. Sub-contracting matters have changed substantially. The rules established in 2012 labor reforms (that sub-contracting does not include all activities, that tasks assigned are justified by their specialized nature and that they do not include tasks that are equal or similar to those that other employees perform) are eliminated; at the same time, only two rules are established: (1) the service-contracting company's legally binding responsibility and (2) the contractor's obligation to inform the contracting entity of compliance to obligations related to labor, social security, health and the environment.
8. A requirement will be added to individual work contracts: beneficiaries are to be designated for salary and benefits payments in cases of worker deaths or benefits that arise from worker deaths.
9. Work-relationship termination agreements can now be optionally ratified before the Institute or the Conciliation Centers. If these are privately entered into, nullity can only be claimed when rights are renounced or due to causes that are the outcome of nullity.
10. In cases of contracts that include probation or preliminary training, employers can terminate the work relationship free from all liability when they consider—at their sole discretion—that workers have not met requirements and acquired sufficient knowledge or cannot demonstrate credible competence. In other words, the obligation to consider opinions on the part of the Mixed Commission on Productivity, Education and Training (Comisión Mixta de Productividad, Capacitación y Adiestramiento) has been eliminated.
11. The obligation to provide written notice to workers that a work relationship has been terminated, or to present that notice to labor authorities, has been eliminated. As a consequence, the absence of a termination notice will no longer be a reason for considering an employment termination as unjustified; however, employers must accredit termination causes in their respective labor-related opinions.
12. Workers' voluntary resignations are established as a cause for terminating the work relationship.
13. With regard to required days off, parties may agree to grant these on alternate dates and not necessarily on those that the LFT indicates, as a means of expanding weekly or monthly time off.
14. With regard to salary-protection rules, workers at all times enjoy a right to access detailed information on payroll terms and deductions. Printed pay-stubs are now considered optional since such receipts can be distributed by many other means. That said, workers can demand printed pay-stubs if necessary.
15. The requirement that printed pay-stubs bear workers' autograph signature if they are to be considered valid has been established. Additionally, workers must validate electronic pay-stubs via private accounts, electronic or advanced electronic signatures.
16. The issued legal decision that internet-delivered digital tax receipts (CFDIS) are a legitimate proof of salary and benefit payment has been recognized.
17. With regard to striking under the strictures of a collective labor agreement, it has been established that the striking union is obliged to prove it is able to represent workers, demonstrate its workers indeed work at the company or place of employment in question, and that those workers do want the union group to represent them.
18. So-called "pre-operative collective labor contracts" (*contratos colectivos preoperativos de trabajo*) have been eliminated. Requests to ratify contracts or calls to strike will not be processed for private individuals or corporations who do not employ workers.
19. New requirements have been added for registering collective labor contracts, including documentation that accredits worker representation.
20. As regards evidence that can be presented in labor cases, a specific section has been considered, to cover elements that emerge with scientific advances, like CFDIS, private key-codes, passwords, digital certifications, electronic signatures, data messages and electronic media.

As noted above, this is merely an initiative that has been proposed in Mexico's Congress. It must be debated and, as may be the case, approved by both legislative chambers, thus modifications are quite likely to be seen. •

Von Wobeser y Sierra, S.C. provides professional services in all fields of law with the exception of criminal law, family law and some minor areas of commercial and civil court litigation, with particular emphasis on the following:

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