CREEL GARCÍA-CUÉLLAR AIZA Y ENRÍQUEZ

Amendment to several provisions of the General Law of Negotiable Instruments and Credit Transactions and of the General Law on Credit Organizations and Auxiliary Credit Activities

On March 26, 2024, a decree amending several provisions of the General Law of Negotiable Instruments and Credit Transactions (*Ley General de Títulos y Operaciones de Crédito*, "LGTOC") and of the General Law on Credit Organizations and Auxiliary Credit Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*) was published in the Official Gazette of the Federation (the "Amendment").

The main objective of the Amendment is to regulate the issuance of negotiable instruments through electronic, optical, or any other technology, in accordance with the provisions of the Commercial Code relating to electronic commerce.

Key takeaways of the Amendment include:

a) Issuance of negotiable instruments through electronic means. The issuance of negotiable instruments through electronic, optical, or any other technology by means of an Information System that will be used to generate, transfer, receive, deliver or process on any other manner Data Messages is allowed and recognized, in terms and as defined in article 89 of the Commercial Code (the "Information System").

b) Written form and signature. The requirement of "written" form for negotiable instruments is deemed satisfied for negotiable instruments issued through electronic means, as long as the information contained in the corresponding negotiable instrument is kept available, in its entirety, without suffering alterations, and its circulation is traceable to the Information System.

The signature requirement for a particular person will be deemed fulfilled for negotiable instruments issued through electronic, optical, or any other technology, as long as it is attributable to such person in accordance with the provisions of the Commercial Code.

The Amendment also provides and recognizes that negotiable instruments issued through electronic means, optical means, or any other technology, shall be considered as Data Messages and that the legal effects, validity, and enforceability thereof will not be disregarded for the sole reason of being embedded in Data Messages.

c) Transfer of Negotiable Instruments. No physical delivery takes place for negotiable instruments issued through electronic means. Delivery is verified through the designated Information System. The same applies if the negotiable instrument is transferred by any means, other than by endorsement. For purposes of endorsements, the endorsement of a negotiable instrument, made through the designated Information System, verifies the delivery of the instrument.

d) Guarantor (*aval*). The *aval* follows the formalities of the issuance of the negotiable instrument (*i.e.*, written or electronic form), as do the rest of the transactions over it, and therefore, if it is made through electronic means, it shall be made through the Information System.

e) Certificates of Deposit (*Certificados de Depósito*) and Security bond (*Bono de Prenda*). Certificates of deposit may only be issued through electronic means, pursuant to the provisions of the LGTOC. The Amendment repeals the provisions of the security bond and now contemplates the creation of a pledge loan within the certificate of deposit directly, over the relevant assets contained therein.

The Amendment became effective on March 27, 2024, and as of that date, the relevant authorities have 180 business days to adjust the regulations or the necessary secondary provisions.

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