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MOBILIST

HANDBOOK FOR THE SIMPLIFIED ISSUANCE OF SECURITIES IN MEXICO

Momentum México

BASILA | ABOGADOS

INDEX

MESSAGE BY THE BRITISH AMBASSADOR TO MEXICO, SUSANNAH GOSHKO

The Foreign Commonwealth and Development Office's MOBILIST is focused on leveraging the transformative potential of the private sector to deliver sustainable economic growth by unlocking the power of public markets. MOBILIST invests capital, delivers technical assistance, conducts research and builds partnerships to catalyze investment in firms with development and climate ambitions. The British Government is proud to be a partner in this manual through MOBILIST funds.

Mexico is already a dynamic and vibrant economy, however, to deliver the economy's full potential, it needs to further develop the domestic capital market. The "Ley del Mercado de Valores" (Stock Market Law) and the "Régimen Simplificado" (Simplified Regime) for SMSEs are welcome developments in support of this objective.

In Mexico, like in the UK, SMSEs are the lifeblood of the economy, providing the majority of employment and economic output. However, compared to large multinationals, they face a unique set of challenges which can hold back economic growth. The "Régimen Simplificado" tackles many of the barriers and this manual provides a vital tool to help firms understand how the regulatory changes will make it easier for them to access private capital and grow their business.

With a greater diversity of issuers and investors in the stock market, Mexico's economy can become more diversified and more globally competitive. It is already a world-leading economy in some sectors - these reforms will enable new start-ups to access the financing they need to grow. This, along with the support of the MOBILIST programme, will give rise to new challenger firms, in new emerging sectors.

Whilst this manual is for all SMSEs, the MOBILIST programme is focused on firms that support sustainable development and the climate transition. I believe it is vital that the private sector is a partner in these ambitions as entrepreneurs and dynamic SMSEs can provide innovative solutions to global challenges. For firms that work on these issues, I encourage you to visit https://www.mobilistglobal.com/ to find out more about how the programme could support you with investment solutions.

For the two manuals, I am deeply grateful to our collaborators, Momentum, Basila Abogados and to the Secretaria de Hacienda y Crédito Público, Banxico, AMIB, BIVA and BMV for their contributions.

Susannah Goshko CMG

His Majesty's Ambassador to the United Mexican States
Foreign, Commonwealth & Development Office

ACKNOWLEDGMENTS

The "Simplified Securities Issuance Guide for the Mexican Stock Exchange" ("*Guía de Emisión Simplificada de Valores en Bolsa en México*") is the result of a collective effort, supported by professionals and institutions committed to the development of, and accessibility to, the Mexican Securities Market.

This project has been supported and promoted with the invaluable assistance of MOBILIST (Mobilising Institutional Capital Through Listed Products), an international program whose contributions have been fundamental in promoting instruments that provide access to stock market financing in emerging markets, such as the Mexican market.

In particular, I would like to thank Federico Casas and Luis Rodríguez, from Momentum Mexico, for their contributions and experience, which have provided invaluable additions to this guide. Their vision and commitment were key elements turning this effort into a reality.

I would also like to express my appreciation and gratitude to Miguel López, a member of our team at Basila Abogados, whose leadership and dedication in structuring this project made the consolidation of this publication possible.

Finally, I would like to refer to the "Handbook on Corporate Debt Issuance in the Mexican Market", a joint work by Momentum Mexico, Basila Abogados and other institutions, also supported by MOBILIST, which is an excellent source of information for those who wish to deepen their knowledge of the technical and sustainability aspects of the Securities Market.

I would like to express my sincere gratitude to all the people and institutions that have made this publication possible, my sincere gratitude. I am confident that it will be a useful and accessible tool for companies, issuers, advisors and investors interested in the Simplified Regime, and that it will contribute to the growth of a more dynamic, inclusive and sustainable market.

Mauricio Basila Lago
Founding Partner
Basila Abogados, S.C.

PREFACES

PREFACE BIVA

Small and medium-sized enterprises (SMEs) are the backbone of the Mexican economy, representing 99.8% of the country's economic clusters and generating more than 70% of formal employment[1]. However, this importance contrasts with the barriers that SMEs face in accessing funding. According to the World Bank, in Mexico, SMEs require around US$164 billion in financing, equivalent to 9% of the gross domestic product (GDP) in 2023, which could be used to innovate, grow and compete in an increasingly globalized and automated market[2]. In addition, SMEs not only face the challenge of obtaining financing, but also high barriers to entry that do not differentiate between the needs of SMEs and those of large corporations, resulting in complex, costly and lengthy processes.

In order for these companies to aspire to compete in a global environment, with competitive funding costs, and to build a more inclusive market, we knew that the structure under which they operate had to be redesigned, systems had to be broken and innovation had to be sought. In this sense, since the creation of the *Bolsa Institucional de Valores* (BIVA) six years ago, and with the vision of building a Securities Market for SMEs in this country and transforming the Mexican stock market into a more inclusive and dynamic one, we have been working to build an ecosystem where SMEs can find not only financing, but also the necessary tools to compete in a globalized environment. Working with key associations and allies, we have become a key player in this transformation, while maintaining our core principles of developing the market with technology, support and greater visibility.

Nevertheless, we needed a regulatory change that could bring about profound changes in the market and respond to this great challenge that still remains. We are proud to have worked together with the financial authorities and the *Asociación Mexicana de Instituciones Bursátiles, A.C.* (AMIB), with great effort and commitment, to redesign a differentiated regulatory framework

1. Ministry of Economy (Secretaría de Economía): "Mipymes mexicanas: motor de nuestra economía."
2. World Bank: Evaluating Mexico's small and medium Enterprise programs.

that has evolved considering the recent Amendment to the Securities Market Law. In particular, the Simplified Regime is the result of observation of the most developed and deep international stock markets, such as those of the United States, the United Kingdom and some Asian countries, where it has been demonstrated that a differentiated regulatory framework adapted to emerging companies is the key driver for the democratization of financing and the strengthening of their economies. These markets have fueled their growth by including large issuers, but also by opening their doors to smaller companies, thus fostering a more dynamic and competitive business ecosystem. International experience shows that an inclusive stock market is an essential factor for any economy seeking sustainable growth. Countries such as Brazil and India, which have implemented differentiated models for emerging issuers, have proven that it is possible to close the gap between large corporations and small companies.

In Mexico, replicating this approach and adapting it to our economic reality is a step in the right direction.Therefore, we believe that the aforementioned Amendment can generate a strategic change that will encourage the participation of a greater number of companies.

Thus, the Simplified Regime emerges as the materialization of this shared vision, which provides an entry opportunity for SMEs, adapting the regulatory and administrative requirements without abandoning the transparency and trust that characterize public markets. This new Simplified Regime offers SMEs the opportunity to diversify their sources of funding, allowing them to self-finance and strengthen their asset structure, accessing strategic investment networks and increasing their resilience in the face of economic changes.

The Simplified Regime has the potential to redefine the narrative of the Securities Market in Mexico, bridging the gap between large corporations and companies that, historically, had not considered this alternative. For many SMEs, the Securities Market has traditionally been seen as an unattainable platform, reserved for multinationals and large corporations. Today, as a result of the Amendment, this myth has been shattered. Stock market financing has become a tangible reality for companies of all sizes and our country can aspire to a more robust market, where SMEs will find not only a strong source of financing, but also a forum to become institutionalized, improve their governance and adopt best practices that will position them in their sectors at the national and international levels. This change was imperative if we intend to build a Securities Market that is competitive in the global context.

This guide, designed to accompany SMEs on their way to the Securities Market, is a valuable tool for the materialization of the potential of Mexican companies, providing them with the basic tools they need to approach the Securities Market confidently. More than a technical document, it is an invitation to transform the Mexican Securities Market, allowing more companies to access its broad benefits and contribute to the country's economic development.

This change is not only a regulatory adjustment, but also a bridge to a more inclusive, dynamic and representative market, that is indispensable to the engine of our economy: SMEs.

María Mercedes Ariza García Migoya
Chief Executive Officer
Bolsa Institucional de Valores (BIVA)

PREFACE BMV

In an increasingly dynamic and competitive economic environment, SMEs play a crucial role in the development of financial markets and the sustainability of local economies.

However, access to the Securities Market and to sources of financing, in general, is one of the ten most pressing challenges faced by companies, according to the results of surveys on the evolution of financing conducted by the Mexican Central Bank (*Banco de México*) (Banxico).

According to the latest economic census conducted by the National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*) (INEGI) in 2019, as well as the study on business demographics published in 2023, there are more than 5 million companies in Mexico, of which 95% are micro companies, 4% are small companies, and 1% are large and medium-sized companies. In addition, if we talk about the financing activity of companies in general, only 12% have used any type of financing.

Thus, after recognizing the importance of offering stock market financing opportunities to new companies in Mexico, and as a result of the collaboration of authorities such as the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) (SHCP), the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) (CNBV), the *Asociación Mexicana de Instituciones Bursátiles, A.C.* (AMIB), as well as the stock exchanges and other participants and intermediaries of the financial and securities industry, the Mexican Congress (*Congreso de la Unión*) approved, at the end of 2023, the Amendment to the Securities Market Law (*Ley de Mercado de Valores*), which made regulatory adjustments aimed at strengthening the development of the economy and the Securities Market.

These changes to the law are meant to streamline processes and reduce listing times and costs, as well as simplify the requirements for new companies to enter the Mexican Securities Market in an agile and accessible manner, creating a new public offering or simplified issuance model focused, mainly, on mid-sized companies. This has changed the outlook for companies when seeking financing, thus providing them with new opportunities to raise funds through the issuance of securities in public markets.

This guide has been created with the purpose of being a strategic and accessible axis for companies that want to enter into this new issuance process, but lack the regulatory and operational knowledge necessary to initiate and continue with this type of procedure. Through this resource, together with the advice, support and training that the Mexican Stock Exchange (*Bolsa Mexicana de Valores*) (BMV) provides to potential companies and new issuers, we are certain that a clear, structured and understandable path will be offered, from initial preparation to compliance with post-issuance obligations, ensuring that companies take full advantage of this new Simplified Regime.

Within its pages you will find a detailed explanation of the steps required to issue securities under the simplified registration regime, as well as tools to optimize resources, manage risks and maximize growth opportunities. It also highlights best practices in sustainability and corporate governance (ESG), which are not only a regulatory requirement, but also an excellent strategy to attract responsible investors and improve competitiveness in an increasingly globalized and demanding market.

In turn, this guide reflects the BMV's conviction that access to the Securities Market is now, more than ever, within the reach of medium-sized companies, which, by adopting this Simplified Regime, will not only be able to finance their projects and strengthen their growth, but will also become key players in a more inclusive market.

We are confident that this guide will be a valuable resource for companies and other market participants, enabling and supporting them to make informed decisions and take the next step towards expansion and sustainability over time. As the BMV, we are committed to accompanying the market in a process that, while challenging, is full of possibilities for growth.

In addition to reviewing this guide, we invite you to contact the BMV's promotion team at promocion@grupobmv.com.mx, to transform challenges into opportunities and to take advantage of the benefits that this new regulatory framework offers to companies committed to their future.

Jorge Alegria Formoso
Chief Executive Officer
Bolsa Mexicana de Valores (BMV)

PREFACE AMIB

The financial system faces constant challenges in promoting the economic growth necessary for a country's development, and Mexico has been no exception. The lack of sound institutions and efficient markets to channel savings and capital to the productive sectors has severely limited economic recovery and transformation.

The analysis of the Mexican stock market reveals that its size represents only 36% of the Gross Domestic Product (GDP 2020), a significantly lower figure when compared to economies with similar characteristics such as Russia (47%), Chile (67%), Brazil (69%), Spain (85%) and India (99%). In addition, 109 companies were identified as having the appropriate size to be listed on the stock exchange, a number that is practically equal to the total number of companies currently listed (138).

Since March 2018, only one new company has raised capital through an IPO. In contrast, financing through local debt increased by US$1.6 million, while financing through international debt increased by US$9.3 million.

The Mexican Central Bank (*Banco de México*) (Banxico) noted that suppliers continue to be the main source of financing for companies. Other sources include financing from other companies in the corporate group (9.7%), development banks (1.0%), foreign banks (0.5%-0.7%), and debt issuance (0.2%).

These data reflect that the Mexican stock market has not yet reached its potential due to several factors: high placement costs, largely due to regulatory requirements to comply with strict transparency standards; owners' reluctance to relinquish corporate control; lack of incentives for institutional investors; and long approval times for new issuances.

Based on the above results, it was concluded that the stock market needed to introduce new financing and investment alternatives that would, on the one hand, encourage its growth and depth and, on the other, allow it to be a source of financing accessible not only to large companies, but also to SMEs.

All of the above led to an active and successful collaboration between the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) (SHCP), the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) (CNBV), Banxico, the *Asociación Mexicana de Instituciones Bursátiles* (AMIB), the stock exchanges, some law firms and a number of financial institutions, the stock exchanges, certain law firms and the securities industry, which resulted in an amendment to the *Ley del Mercado de Valores* (LMV) published in the *Diario Oficial de la Federación* (the LMV Amendment) at the end of December 2023.

The LMV Amendment establishes the simplified registration of securities. The purpose of this guide is to provide detailed guidance to those SMEs interested in this Simplified Regime.

The Simplified Regime introduces simplified requirements (less documentation and accessible and streamlined procedures) and an acceleration of the process (reduction of approval times), which encourages the participation of SMEs. In turn, the Simplified Regime promotes compliance with minimum standards to ensure transparency and accountability, as well as investor protection, by maintaining regulatory controls that ensure the transparency and quality of the financial information presented by issuers.

The *Asociación Mexicana de Instituciones Bursátiles, A.C.* recognizes the hard work and efforts of all the actors involved in this process to bridge the gap between large companies and SMEs in Mexico, which will make our stock market more competitive and attractive to both issuers and investors, by increasing the supply of securities.

The modernization of the regulatory framework of the Mexican financial system is an important step in strengthening the competitiveness of the stock market, facilitating access to financing for SMEs and contributing to the economic growth of the country.

Ernesto Reyes Retana Valdés
Chief Executive Officer
Asociación Mexicana de Instituciones Bursátiles; A.C.

1.OVERVIEW OF THE SIMPLIFIED ISSUANCE REGIME

The Mexican Securities Market is expected to experience a significant evolution in light of the amendment to the Securities Market Law (*Ley del Mercado de Valores*) ("**LMV**") dated December 28, 2023 (the "**Amendment**"). The Amendment responds to the need to provide companies with easier access to financing through the issuance of securities with a less rigorous process. This includes, in particular, SMEs, a key sector for the country's growth. To address this need, the Amendment created the Simplified Regime for Issuers (*Regimen Simplificado para Emisoras*) (the "**Simplified Regime**"), which aims to promote investment in SMEs through the stock market.

Through the implementation of the Simplified Regime and its specific regulation by the General Provisions Applicable to Simplified Issuers and Securities Subject to Simplified Registration (*Disposiciones de Carácter General Aplicables a las [Emisoras Simplificadas y los Valores Objeto de Inscripción Simplificada*])[3] ("**Simplified Issuers Circular**" or "**CUES**", indistinctly), issued by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) ("**CNBV**"), the aim is to remove the historical entry barriers that hindered the participation of SMEs in the stock market. This new model is distinguished, among other aspects, by the synthesis of processes and the reduction of requirements and costs associated with an issuance in the stock market.

One of the most outstanding features of this model, as established in Article 70 Bis of the LMV, is its exclusive focus on institutional and qualified investors (*inversionistas institucionales y calificados*)[4], the latter defined as persons or entities with greater financial capacity and knowledge to invest, which implies a protection against potential risks for the investing public. This approach allows SMEs to access a more agile and less bureaucratic financing market.

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3. This Guide was prepared in accordance with the publication of the CUES on January 21, 2025, in the Official Gazette of the Federation (DOF).

4. The classification of qualified investors derives from the provisions of the LMV (Article 2, section XVI) and the General Provisions (*Disposiciones de Carácter General*) issued by the CNBV. These provisions detail the financial, technical and experience criteria that investors must comply with in order to participate in issuances aimed exclusively at this segment.

Capitalized terms used in this guide and not defined herein shall have the meanings set forth in the applicable law, including, without limitation, the LMV and the CUES. Such defined terms shall be construed in accordance with the provisions of such laws and, in the event of any inconsistency, the provisions of the governing law shall prevail.

1.1 Purpose of the Guide

This guide is intended to be a strategic resource for SMEs interested in understanding and adopting the Simplified Regime. Its main objective is to provide guidance on the securities issuance process in public markets, including compliance with legal and operational requirements, from pre-issuance preparation to compliance with post-issuance obligations, highlighting the benefits of the new Simplified Regime and the growth opportunities that such a model offers in an increasingly inclusive and dynamic market.

The document also highlights the relevance of incorporating ESG practices, not only as a regulatory requirement, but also as a strategy to attract responsible investors and enhance their competitiveness in the Securities Market.

We believe that the recent amendments will contribute to the growth of the market by involving new players, whose participation has been very limited so far.

The purpose of this guide is to present, in a clear and simple manner, the necessary steps to conduct a securities issue under the Simplified Regime regulation, including the following aspects:

1. **Preparation**

   Assisting SMEs to understand and comply with the requirements necessary to conduct a securities issuance.

2. Guidance on the Simplified Issuance Process

Describe the specific steps to access the market, from the initial feasibility assessment to the issuance and trading of securities, taking advantage of the benefits offered by the Simplified Regime.

3. Resource Optimization

Provide strategies to minimize initial costs and maximize the benefits of raising funds through the Securities Market, such as selecting the appropriate financial and legal advisors.

4. Risk Mitigation

Identifying potential challenges, such as market volatility or breach of covenant, and providing strategies to manage them effectively.

1.2 Relevance of the Simplified Regime for SMEs

The new Simplified Regime introduces a more accessible process for listing securities. Traditionally, the Mexican stock market has favored larger and higher credit quality companies, with high associated costs, regulatory requirements and high minimum placement amounts required by market practice. This model seeks to break down these barriers and democratize access to stock market financing. One of the main features of the Simplified Regime is that issuances do not require an application for prior approval from the CNBV.

The registration of the securities will be handled directly before the stock exchanges, by the issuer and the brokerage firm. Once the stock exchange issues its favorable opinion, it will notify the CNBV to register the securities in the National Securities Registry (*Registro Nacional de Valores*) ("RNV"). This mechanism reduces the time required for issuance.

In general, this model not only lowers barriers to entry the securities market, but also adapts to the needs of different types of issuers in terms of amounts, allowing each company to choose the level that best suits its capacity and financing needs. Moreover, it reinforces the Mexican market's commitment to modernization and the inclusion of companies of different sizes in the country's financial dynamics.

2. TYPES OF ISSUERS AND THE NEW SIMPLIFIED REGIME

2.1 Differences between Traditional and Simplified Issuers

Larger companies are more likely to be able to comply with the traditional regime, which imposes a large number of requirements and a significant amount of information in terms of financial disclosure, audit opinions and credit ratings, resulting in complex processes and high costs. While these measures are intended to reaffirm the confidence of the general investing public, they also make access more challenging for SMEs due to the administrative burden and resources required to comply with these requirements.

In contrast, the Simplified Regime is specifically designed to facilitate the participation of SMEs in the Securities Market, eliminating administrative procedures before the authority and reducing costs and fees. In this sense, the CUES considers that these issuers will not be subject to the payment of fees for study and registration process, as well as inspection and surveillance fees. Furthermore, for simplified issuers, a reduced fee will be established for the registration and updating of securities, which will be significantly lower than the one applied to traditional issuers, which contributes to the reduction of compliance costs and promoting their development within the market.

This model prioritizes efficiency through more flexible rules adapted to the operational capacities of smaller companies, allowing them to enter the stock market without sacrificing transparency. One of the key elements of the Simplified Regime is that issuances are made exclusively for institutional or qualified investors, as defined in Article 70 Bis of the LMV, which guarantees that the investing public is not exposed to risk.

The Simplified Regime comprises three categories of issuers (the "**Simplified Issuers**"):

1. **Level I Simplified Issuer (Emisora Simplificada Nivel I)**, which may issue debt securities with a maximum amount of 75 million investment units (*unidades de inversión*) ("**UDIs**") per placement, accumulating up to 900 million UDIs per fiscal year. It must also have consolidated Financial Statements audited by an independent

external auditor for the past fiscal year compared to the Financial Statements for the previous fiscal year and internal quarterly Financial Statements, which must not be older than the second to last quarter ending prior to the issuance date.

2. **Level II Simplified Issuer (Emisora Simplificada Nivel II)** allows the issuance of debt instruments or asset-backed securities with a maximum limit of 1,250 million UDIs per issuance and accumulated in a fiscal year. However, unlike Level I Simplified Issuers, Level II Simplified Issuers must have a credit rating granted by a securities rating agency. Additionally, a Level II Simplified Issuer must have consolidated Financial Statements audited by an independent external auditor for the last two fiscal years, compared to the Financial Statements for the previous fiscal year and the internal quarterly Financial Statements, which must not be older than the second to last quarter ended prior to the placement date.

3. **Simplified Issuer of Shares (Emisora Simplificada de Acciones)**, allows for the application for, obtaining and maintenance of the simplified registration of securities such as shares, ordinary participation certificates representing such shares or securities representing the capital stock of foreign companies. These issuances are subject to a maximum amount of 1,250 million UDIs per issuance and as accumulated during a fiscal year. Additionally, the company must have consolidated Financial Statements audited by an independent external auditor for the last two fiscal years compared to the immediately preceding fiscal year and the internal quarterly statements, which must not be older than the second to last quarter ending prior to the placement date.

The Financial Statements of Simplified Issuers must be prepared in accordance with one of the following standards (collectively, the "**Financial Reporting Standards**"):

1. International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (IASB); or.

2. Financial Reporting Standards (*Normas de Información Financiera*) ("NIF") as acknowledged and issued by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*).

3. With respect to financial entities, they must be prepared and audited in accordance with the accounting and auditing standards issued by the competent Mexican authorities, as applicable.

   Regarding the Financial Statements of issuers that are legal entities whose principal activity is the granting of credit, financial leasing or financial factoring, they must be prepared and audited in accordance with the accounting and auditing standards applicable to the regulated multiple purpose financial companies (*sociedades de objeto multiple reguladas*) as defined in Article 87-D, Section V, of the General Law on Credit Organizations and Auxiliary Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*). The principal activity (*actividad preponderante*) shall be that which represents more than 70% of the total consolidated assets, liabilities or revenues of an issuer at the end of the immediately preceding fiscal year, it being necessary that two fiscal years have elapsed in which the activity represented less than 50% of the total consolidated assets, liabilities or revenues of an issuer, or that such activity represented less than 20%, in the fiscal year immediately preceding the fiscal year in question, in order for the provisions of this paragraph not to apply to such issuer.

In the case of Simplified Issuers and a foreign settlor or guarantor with respect to which there is a Total or Partial Dependency (*Dependencia parcial*), the Financial Statements must be prepared in accordance with subsection (1) above or one of the following alternatives:

1. Generally Accepted Accounting Principles in the United States of America, commonly known as "U.S. GAAP", with the inclusion in the supplementary notes to the corresponding Financial Statements

of a document explaining the relevant differences between the accounting standards and methods used to prepare their Financial Statements and the standards referred to in subsection (a) above.

2. The accounting principles applicable in the country of origin, with the inclusion in the supplementary notes of a document explaining the relevant differences between the accounting principles used to prepare its Financial Statements and the standards referred to in subsection (a) of this Article, as well as a reconciliation of the most relevant accounts that allows, as applicable, quantifying the differences between one and the other.

Foreign guarantors are not be required to provide the reconciliation referred to in this paragraph.

Furthermore, it should be considered that, third parties on which there is a Partial or Total Dependency, whether or not they are Simplified Issuers, are not required to submit the information referred above, as long as they are up to date in providing the respective periodic information.

In addition, SMEs have the possibility to file abridged prospectuses and, in certain applicable cases, only a notice with basic information. This approach significantly reduces the administrative burden and the time needed to access financing, as compared to the detailed prospectus required under the traditional regime. This measure is designed to reduce economic barriers without compromising risk assessment, as institutional and qualified investors are responsible for conducting their own analysis. In addition, although Simplified Issuers must disclose financial and ESG information, the guidelines are tailored to their operational capabilities, allowing them to comply with these regulatory obligations without placing an undue burden on the company.

The table below summarizes the key differences:

TARGET AUDIENCE	
Traditional Issuers	General investing public.
Simplified Issuers (Debt Market)	Institutional and qualified investors.
Simplified Issuers (Capital Markets)	Institutional and qualified investors.
PROSPECTUS	
Traditional Issuers	Detailed and extensive.
Simplified Issuers (Debt Market)	Brief, with essential information.
Simplified Issuers (Capital Markets)	Brief, with emphasis on capital structure and corporate governance.
CREDIT RATINGS	
Traditional Issuers	Mandatory for debt issues.
Simplified Issuers (Debt Market)	Not required for issues under 75 million UDIs.
Simplified Issuers (Capital Markets)	Not required in capital instruments.
ADMINISTRATIVE BURDEN	
Traditional Issuers	High, with complex requirements and lengthy processes.
Simplified Issuers (Debt Market)	Low, with more agile procedures and fewer formalities.
Simplified Issuers (Capital Markets)	Low, simplified in terms of capital registration and updating.
COST	
Traditional Issuers	High, due to frequent audits, extensive documentation and external ratings.
Simplified Issuers (Debt Market)	Reduced, with less documentation and operational requirements.
Simplified Issuers (Capital Markets)	Reduced, with fewer requirements, focused on basic governance.
FINANCIAL STATEMENTS FOR SECURITIES REGISTRATION	
Traditional Issuers	Financial Statements issued with a favorable or unmodified opinion by the external auditor of the issuer and its associates, for the last three fiscal years or as of the date of incorporation if less than three years old, provided that the Financial Statements for the most recent fiscal year are not more than fifteen months old.

FINANCIAL STATEMENTS FOR SECURITIES REGISTRATION	
Traditional Issuers	In the case of debt securities with a term of one year or less, the Financial Statements referred to in the preceding paragraph may be submitted for the issuer's most recent fiscal year compared with the Financial Statements for the previous fiscal year. As a general rule, these must be prepared in accordance with IFRS, and, where applicable audited by an external auditor.
Simplified Issuers (Debt Market)	**Level I Simplified Issuers:** Consolidated Financial Statements audited by an independent external auditor for the last fiscal year, compared with the Financial Statements for the previous fiscal year and the internal quarterly Financial Statements, which may not be older than the second to last quarter ended prior to the placement date. **Level II Simplified Issuers:** Consolidated Financial Statements audited by an independent external auditor for the last two fiscal years, compared to the Financial Statements for the previous fiscal year and the internal quarterly Financial Statements, which may not be older than the second to last quarter ended prior to the placement date. They must be prepared in accordance with Financial Reporting Standards.
Simplified Issuers (Capital Markets)	Consolidated Financial Statements audited by an independent external auditor for the last two fiscal years, compared to the Financial Statements for the immediately preceding fiscal year and the internal quarterly Financial Statements, which must not be older than the second to last quarter ending prior to the placement date. They must be prepared in accordance with Financial Reporting Standards.
PERIODIC FINANCIAL DISCLOSURES	
Traditional Issuers	In general, issuers must submit: Annually, annual Financial Statements audited by external auditors. Quarterly, preliminary Financial Statements, comparing figures for the current quarter with the same period for the previous year.
Simplified Issuers (Debt Market)	Provide the Stock Exchange and the general public with the annual Financial Statements or their equivalents, approved by the competent authority and issued with a favorable or unmodified opinion by the external auditor, as well as the annual report for the immediately preceding fiscal year, no later than April 30, each year.[5]
Simplified Issuers (Capital Markets)	Provide the Stock Exchange and the general public with the annual Financial Statements or their equivalents, approved by the competent authority and issued with a favorable or unmodified opinion by the external auditor, as well as the annual report for the immediately preceding fiscal year, no later than April 30, each year.

5. The information must be submitted by the Simplified Issuers to the Stock Exchange through the SEDI (electronic system for sending and disseminating information (*sistema electrónico de envió y difusión de información*) authorized by the CNBV). This also applies to Simplified Issuers of Shares.

In summary, the Simplified Regime under the CUES is a key tool to democratize access to securities financing. The simplification and cost reduction measures allow SMEs to take advantage of opportunities in the Securities Market, while the adjusted requirements ensure that they continue to comply with basic transparency standards. However, the success of this scheme will depend on SMEs adopting good governance and disclosure practices.

2.2 Securities Market Dynamics: Analysis of Key Players

In the Simplified Regime, several actors assume specific responsibilities in order to have a more agile process for analyzing the issuer's information to facilitate an investment decision in its securities. Brokerage firms, issuers and stock exchanges play the key roles in this model, each with defined functions to promote trust and accessibility in this new regulatory framework.

1. Brokerage Firms

Brokerage firms, as placement agents, have the obligation to (a) verify that issuers comply with the required documentation, (b) ensure that investors receive relevant information from the issuer regarding its financial and administrative situation, as well as the risks associated with each issue, and (c) carefully review the placement prospectus, if applicable, according to its level.

The regulation requires brokerage firms to develop an internal manual establishing procedures aligned with the principle of self-regulation. This manual must detail procedures for verifying the information provided by issuers and the measures to be taken to ensure compliance with the regulatory requirements set out in the CUES. In addition, brokerage firms are required to keep a complete file of the documents reviewed for a period of five years from the date of the cancellation of the respective registration.

For equity issuers, brokerage firms have an additional obligation to review the shareholding structure to ensure that shareholders' rights are clearly defined and disclosed. Similarly, in the case of structured issues, they must liaise with settlors or guarantors to ensure that the guarantees are valid, enforceable and adequately disclosed.

Once this process is completed, the brokerage firm, in conjunction with the issuer, requests the listing of the securities from the corresponding stock exchange and submits a favorable opinion granted by the stock exchange, to the CNBV, as a prior step to the simplified registration in the RNV.

2. Issuers

Simplified Issuers, depending on their type and level, assume different obligations that allow them to access the market. As described in Section II.A. "Differences between Traditional and Simplified Issuers" of this guide, the CUES consider three main categories of issuers: Level I and Level II Simplified Issuers and Simplified Issuers of Shares.

Simplified Issuers of Shares must operate as stock-exchange investment promotion companies (*sociedades anónimas promotoras de inversión bursátil*) and comply with the corporate governance requirements set out in the LMV. The participation certificates may represent different series of shares from the same issuer. Foreign companies seeking to issue securities representing their capital must also comply with the corporate governance requirements applicable to domestic companies.

In addition to complying with general requirements (such as two years of continuous operation and generating income from its main activity), Simplified Issuers of Shares have specific obligations to ensure investor confidence. These include maintaining up-to-date capital structure and disclosing clear information on their corporate governance practices. For issuances of structured securities, issuers must provide detailed information on the underlying assets or collateral.

An important aspect for both categories of debt issuers is the simplification of the content of the placement prospectus. For short-term issues (with a duration of less than one year), this document will not be required, whereas for long-term issuances (with a duration of greater than one year) it will be mandatory. The prospectus must be concise, but sufficient to allow investors to assess the risks and rewards associated with the issue.

The Simplified Regime redefines the responsibilities and opportunities for debt and equity issuers by adapting to their specific needs. By establishing clear parameters, it promotes the inclusion of SMEs in the Securities Market, ensuring that they can participate, with lower administrative barriers, but with an adequate commitment to transparency that strengthens the confidence of institutional and qualified investors.

3. Stock Exchanges

Stock exchanges, on the other hand, play a crucial role in this model, not only by providing a platform for the trading of securities, but also by actively participating in the verification of the documents and information submitted by the issuers. Once this process is completed, the stock exchanges must issue a favorable opinion for the CNBV to proceed with the registration of the securities with the RNV. This process must be completed within a maximum of two business days from the receipt of the request.

In addition to these functions the stock exchanges must establish in their internal rules additional requirements that Simplified Issuers must comply with in order to maintain their listing. These include the periodic disclosure of financial, economic, accounting, legal and administrative information, to enable investors to make an appropriate assessment of their situation. Stock exchanges are also required to establish guidelines for corporate governance, the protection of minority rights and the procedures for the conduct of takeover bids.

Finally, stock exchanges are required to report to the CNBV on the status of Simplified Issuers in terms of compliance with their listing maintenance requirements and to make this information available to the public through their electronic platforms. In this sense, stock exchanges are consolidated as key players in ensuring transparency and regulatory compliance in the market under the Simplified Regime.

4. Investors

Qualified investors, who may invest in securities under the Simplified Regime, are those who, in the last twelve months, have held an average investment of more than 1,500,000 UDIs (approximately 12.5 million Mexican pesos) or whose annual income is exceeds 500,000 UDIs (approximately 4 million Mexican pesos). This ensures that participants have the necessary financial capacity to bear the risks and rewards associated with the securities issued under this model.

3. REGULATORY FRAMEWORK OF THE SIMPLIFIED REGIME

3.1 Key Provisions for the Simplified Issuance

The CUES expands and clarifies the guidelines set forth in the LMV for Simplified Issuers.

Under the Simplified Regime, Simplified Issuers must comply with periodic financial disclosure requirements designed provide information and transparency to institutional and qualified investors. As set out in Article 23 of the CUES, Simplified Issuers are required to provide annual Financial Statements approved by their governing bodies and audited by an external auditor no later than April 30 each year. In addition, they must file an annual report in accordance with the provisions of Annex C or D of the CUES, depending on the level of the issuer.

Annex C of the CUES, which applies to Level I Simplified Issuers, sets out basic disclosure requirements, including, among other things, audited Financial Statements, an analysis of operating results and key corporate governance matters specific to foreign issuers, as well as a description of the corporate governance codes to which the issuer adheres, or a statement if it does not follow any. In addition, relevant practices should be disclosed, such as the existence of audit committees or corporate practices, the frequency of board meetings, the access of directors to relevant information for decision making, and the existence of an internal audit department.

Annex D of the CUES sets out the requirements for Level II Simplified Issuers, which are required provide more detailed information, due to the higher amount of the issues. This report includes additional requirements, such as the segmentation of financial results by business line, a deeper analysis of operations and more comprehensive corporate governance practices, in accordance with their market reach.

Furthermore, Level II Simplified Issuers are required to file quarterly Financial Statements, comparing the current quarter´s figures with those of the same period for the previous year. These reports must include an affidavit signed, under oath, by the responsible officers, certifying to the truthfulness and adequacy of the information.

Simplified Issuers must also immediately disclose, through the stock exchange channels established for this purpose, any relevant event that may affect the financial situation, the rights of investors or the valuation of the securities issued. This includes decisions taken at shareholders' meetings, changes in the shareholder structure or changes in the collateral structure.

In the case of structured or asset-backed securities, issuers must provide detailed information on the underlying assets, the characteristics of the collateral and the associated risk structure. This is intended to ensure that qualified investors have access to all relevant data to evaluate the issue.

Likewise, the disclosure of financial and operational information is made, exclusively, through the Electronic Information Dissemination System (*Sistema Electrónico de Difusión de Información*) (SEDI), as provided for in the CUES. This system is a tool that ensures accessibility to annual reports, Financial Statements and relevant events to the stock exchanges and the investing public. In addition, the stock exchanges are authorized to monitor the consistency of the information provided and to request clarifications if necessary. In the event of contingencies, alternative mechanisms will be considered to ensure continuity in the dissemination of information, thereby underscoring the commitment to transparency and data security.

3.2 Document Simplification

The CUES introduces significant flexibility in the documentation required for Simplified Issuers in order to reduce costs and streamline regulatory processes. Annexes A and B of the CUES allow the use of simplified prospectuses, which are designed to contain only essential information such as risks, terms and purpose of the issue, and may omit information on distribution channels, principal customers, applicable laws and tax status, dividends, financial information by line of business, geographical area and export sales, reporting of relevant credits, and critical accounting estimates, provisions or reserves. This differs from Annex H of the CUE, requiring more rigorous requirements, demanding greater depth in the treatment of risks and opportunities, as well as in the accuracy and validation of the data. Likewise, it is important to note that, in the case of simplified issuances of short-term debt, both Level I and Level II, there will be no obligation to submit the full prospectus or brochure, and the disclosure to the public of the information indicated in the “Cover Page” (“*Portada*”) section of Annex A or B of the CUES is sufficient.

Additionally, the CUES eliminates the obligation to obtain external credit ratings in certain cases, a requirement that has traditionally involved high costs and long delays. In particular, this exemption applies to debt issues of less than 75 million UDIs (Level I) and to simplified shares, provided that they do not contain complex guarantees. This change allows Simplified Issuers to access the RNV in a more efficient manner, relying on the analysis of institutional and qualified investors, who do not require the protection of the CNBV, since they have the experience and capacity to evaluate the risks associated with the issuances.

One of the main flexibilities granted is the simplification of prospectuses. These documents, as established in the CUES, can be more concise and direct, as long as they contain essential information about the risks, terms and purpose of the issue. This will significantly reduce costs and administrative burdens, allowing SMEs to comply with regulatory requirements without compromising the transparency and quality of the information provided.

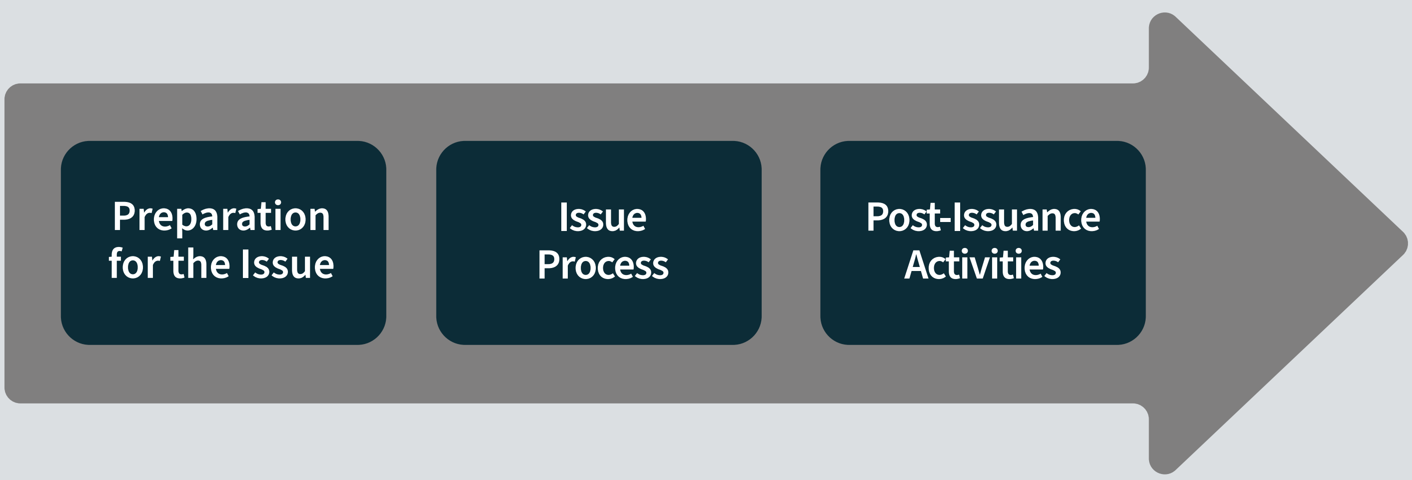
Another important flexibility is the elimination of the prior approval of the CNBV for promotional activities directed exclusively to qualified investors. This streamlines procedures and allows issuers to carry out promotional activities more efficiently, as long as the guidelines established in the regulations are respected. It is essential that the information provided in these activities be clear, truthful and timely in order to protect investors’ interests.

However, for structured issues or asset-backed securities, additional requirements will be maintained in the prospectuses, such as a detailed description of the collateral, underlying assets and payment mechanisms. This ensures that the flexibility offered does not compromise the quality of information or investor protection.

Issuers and brokerage firms are responsible for verifying the quality and accuracy of prospectuses, with the exception of the veracity of the information, which remains the responsibility of the issuer, and for ensuring that promotional activities comply with applicable regulations. In addition, the CNBV retains its authority to supervise, request additional information or impose sanctions in the event of non-compliance, thus ensuring the integrity of the market and the confidence of qualified investors.

4. SIMPLIFIED ISSUANCE PROCESS

This section describes the process for conducting simplified issues in the Securities Market. The process begins with the issuer´s preliminary preparation, and continues through the process of preparing the prospectus, promoting the issue and determining the final price of the issue. We have also added a section describing certain activities that take place after the issuance of securities.



4.1 Preparation for the Issue

4.1.1 Capital Structure and Financial Needs Analysis

The capital structure and financing needs analysis is an initial step that is fundamental in the process of any issuance. This analysis allows issuers, with the assistance of brokerage firms, to determine the optimal combination of equity and debt financing resources to achieve their strategic objectives, minimize costs and maximize operating capacity. Pursuant to Article 13 of the CUES, this process must be supported by documentation that validates the issuer's operational and financial capacity, an essential requirement to proceed with the simplified registration before the RNV.

Article 20 of the CUES regulates the issuance of different types of securities, distinguishing between debt instruments, asset-backed securities and equity securities, which are suitable for different needs.

For example, it is recommended that long-term investments, such as the acquisition of capital assets or strategic projects, be financed with long-term instruments, while operating needs, such as working capital, are covered by short-term instruments.

In this analysis, it is important to identify the issuer's specific financing needs, which may include expanding operations, refinancing of existing debt, or acquiring new assets. This approach should also consider market conditions, such as prevailing interest rates, available maturities and the risk perception of qualified investors. For Simplified Issuers of Shares, this analysis should include a detailed assessment of the shareholder structure to ensure that financing decisions do not unnecessarily dilute the participation of existing shareholders or compromise corporate governance.

For structured or asset-backed issues, the analysis should include a valuation of the underlying assets and an assessment of the associated collateral. This will ensure that the instruments are attractive to qualified investors, while meeting regulatory requirements for transparency and disclosure.

A clear and sound capital allocation strategy is essential. This strategy not only optimizes the financial structure, but also ensures that the projects financed are sustainable and aligned with corporate priorities. It also builds investor confidence by ensuring that financial decisions are based on a solid and transparent analysis.

4.1.2 Selection of Advisors and Brokerage Firms

The selection of Advisors and Brokerage Firms to act as placement agents is an essential component in the preparation for the issuance under the Simplified Regime. Their involvement ensures that the issuer complies with legal and regulatory requirements, while optimizing the design, promotion and success of the issue, as set out in the CUES and the LMV.

Financial advisors play a strategic role in guiding SMEs in defining key terms such as the amount of the issue, interest rate, terms and general conditions. Their work ensures that transactions are viable for the company and attractive to investors, thereby facilitating access to competitive financing. Although they are not explicitly regulated in the CUES, their involvement is important in supporting the issuer's decision making.

Brokerage firms, on the other hand, have a role that is directly regulated in the CUES, under Articles 3 and 8. These entities are responsible for reviewing the placement prospectus and related documents to ensure that the information provided is clear, accurate and sufficient. They must also ensure that the issues are made only to institutional and qualified investors.

In addition, they work closely with Stock Exchanges, whose function of issuing a favorable opinion, as stated in Article 12 of the CUES, depends on the proper review of the documentation by the placement agents.

Obligations of Brokerage Firms

Brokerage firms are required to comply with the guidelines set forth in the CUES, which include the following:

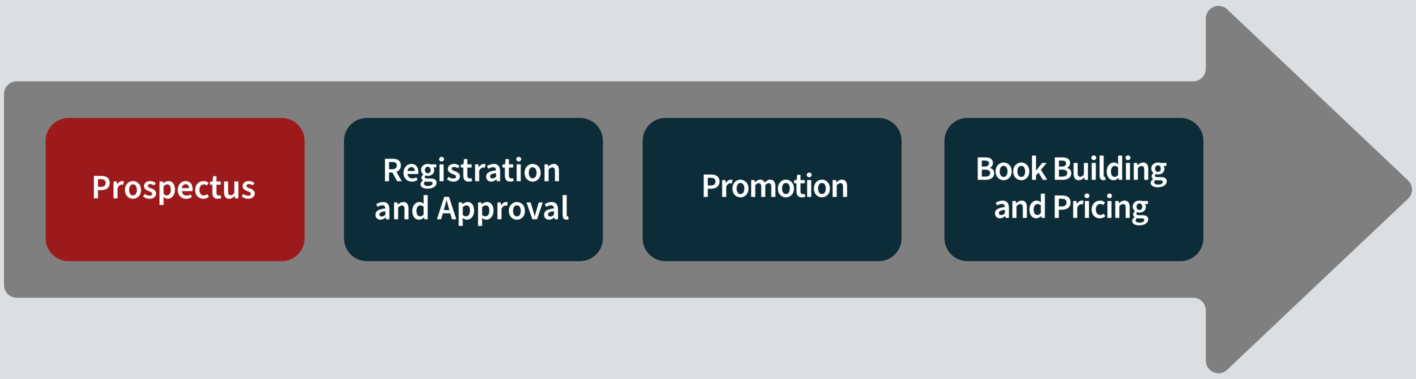
- That all disclosure materials comply with regulatory standards and accurately reflect the risks, benefits and purpose of the issue.
- All promotional activities must be limited to institutional and qualified investors only. This includes prospectuses, informational materials and any communications related to the placement.

Brokerage firms have the right to request clarifications or corrections from the issuer if the information provided does not meet the required standards, strengthening the transparency of the process.

Benefits of an Adequate Selection of Advisors and Brokerage Firms

- **Optimization of the issuance:** enables the structuring of financial terms that are sustainable for the company and competitive for investors.
- **Regulatory compliance:** ensures that all documentation, from the prospectus to the financial reports, complies with the provisions of the CUES and the LMV.

The right choice of advisors and placement agents is not only a strategic recommendation, but also a fundamental necessity to ensure regulatory compliance and the success of an issue under the Simplified Regime. Their experience allows SMEs to navigate the regulatory framework with greater confidence, optimizing their access to competitive financing and strengthening their position in the Securities Market.



4.2 Simplified Issue Process

4.2.1 Simplified Prospectus

The simplified prospectus is the core document for the placement of issues under the Simplified Regime. Designed specifically for smaller issuers such as SMEs, it differs from the traditional prospectus in its brevity and focus on information relevant only to institutional and qualified investors.

The following are some of the **features of the simplified prospectus:**

1. **Focus on institutional and qualified investors:**
   The prospectus is intended solely for institutional and qualified investors who have sufficient financial capacity to evaluate and bear the risks and rewards of the issue. This allows for a more technical and direct language, avoiding redundant explanations aimed at the general public.

2. **Simplified content:**

   - **Risks Involved:** the main financial, operational and market risks must be described in detail.

   - **Purpose of the funds:** indicate the specific use of the funds raised (expansion, refinancing, acquisition of assets, etc.).

   - **Structure of the issue:** include basic terms such as amount, term, interest rate, guarantees offered (if any) and any other relevant information.

   - **Financial information:** a brief summary of the issuer's financial performance, with the most key indicators.

3. **No extensive annexes:**
   Unlike the traditional regime, the simplified prospectus omits secondary or non-essential information that does not directly affect

the investor'sdecision making.

4. Standardized presentation:
Formatting requirements are laid down in the annexes to the CUES, which ensures uniformity and facilitates analysis by investors.

Why is the simplified prospectus different?
The simplified prospectus is designed to reduce administrative complexity and speed up the placement process.

The following are the **main differences from a traditional prospectus**:

1. Focused purpose:
Under the traditional regime, prospectuses include detailed information for a broader audience, including investors without technical expertise. The simplified prospectus, on the other hand, assumes that its audience understands the risks and benefits of the issue.

2. Reduced documentation:
Less information is required in the simplified prospectus because the relevant provisions allow for the omission of various assumptions, in accordance with the provisions of section III.B. "Simplification of Documents" of this guide.

3. Flexibility in the promotion:
By targeting only institutional and qualified investors, the advertising and content of the prospectus do not need to comply with the broader advertising requirements for the general public.

4. Reduced cost and preparation time:
Documentary simplification significantly reduces the time needed to prepare and validate the prospectus, making it easier for SMEs to access financing in a more agile manner.

5. Participation of key players in the preparation of the prospectus:
The simplified prospectus is prepared jointly by the issuer, the brokerage firm and the legal advisor(s), who ensure its compliance with the legal requirements set forth in the CUES:

- **Brokerage Firm:** participates in the review and preparation of the prospectus, ensuring that the information is clear, accurate and sufficient. It also verifies that the content is suitable for institutional and qualified investors and that it complies with the established standards.

- **Legal advisor:** assists in the technical and legal drafting of the prospectus and ensures that it complies with legal requirements.

- **Financial advisor:** provides specialized advice to the company on financial analysis, reporting and preparation of relevant information. He/she collaborates closely with the brokerage firm and the legal advisor to ensure a comprehensive approach to financial decision making.

- **Debt Issuers:** the level of the simplified debt issuer determines the extent of the prospectus requirements:

    - Level I: (i) no external credit rating required; (ii) short prospectus focusing on key information: risks, issue structure and overall financial performance; and (iii) amounts limited to 75 million UDIs per issue, capped at 900 million UDIs per fiscal year.

    - Level II: (i) the inclusion of a credit rating issued by a reputable rating agency is mandatory; (ii) more detailed prospectus; (iii) amount limited to 1,250 million UDIs and (iv) with greater disclosure requirements.

LEVEL I COVER PAGE	LEVEL II COVER PAGE
Simplified Issuer Name.	Indication of the nature and type of public offering.
Ticker symbol.	Name of issuer.
Number and description of the securities to be issued.	Ticker symbol.
Reference currency of the issue.	Number and description of the securities being offered.
Offer price.	Denomination of the currency.
Total amount of the offer.	Offer price.
Date of publication of the offer notice.	Total amount of the offer.
Offering period or date.	Date of publication of the notice of the offer.
Date of closing of the book or auction.	Period or date of the offer.
Date of registration with the Stock Exchange.	Date of closing of the book or auction.
Settlement date.	Date of registration with the Stock Exchange.
Net proceeds received	Settlement date.
Potential purchasers.	Net proceeds received.
Name of the placement agent.	Terms of auction (if applicable).
Depository.	Potential purchasers.
Rating granted.	Name of the placement agent.
Legal basis of the applicable tax regime.	Depository.
Relevant associated risks.	Rating granted.
Mention of simplified registration with the RNV and listing on the Stock Exchange.	Legal basis of the applicable tax regime.
Mention that the CNBV has not approved/verified the information.	Relevant risks associated with the transaction.
Mention that the CNBV does not supervise the issuer.	Mention of simplified registration with the RNV and listing on the Stock Exchange.
Text of Article 86 Bis of the LMV.	Indication that the CNBV has not approved or verified the information.
Text of Article 79 of the LMV on liability.	Mention that the CNBV does not supervise the issuer.
Term and maturity date.	Text of Article 86 Bis of the LMV.

LEVEL I COVER PAGE	LEVEL II COVER PAGE
Series number (if applicable).	Text of Article 79 of the LMV.
Number of the respective issue (if applicable).	Registration number in the RNV.
Interest, discount or yield rate and method of calculation.	Place and date of publication of the prospectus or notice.
Interest rate for the first period.	CNBV official notice number, registration date and consultation pages.
Frequency of payment of coupons.	Term and maturity date.
Amortization of securities: periodicity, form, causes and treatment of early amortization (if applicable).	Number of series into which the issue is divided (if applicable).
Guarantee or guarantees (if any).	Number of the respective issue (if applicable).
Date of issue.	Interest, discount or yield rate and method of calculation.
Place and form of payment of interest, income and principal.	Applicable interest rate for the first period.
Common representative of the security holders.	Frequency of payment of coupons.
Subordination of the securities (if applicable).	Periodicity and form of amortization, causes and expected treatment.
	Guaranty or guarantees (if any).
	Date of issue.
	Place and form of payment of interest, yields and principal.
	Name of the common representative.
	Subordination of the securities (if applicable).

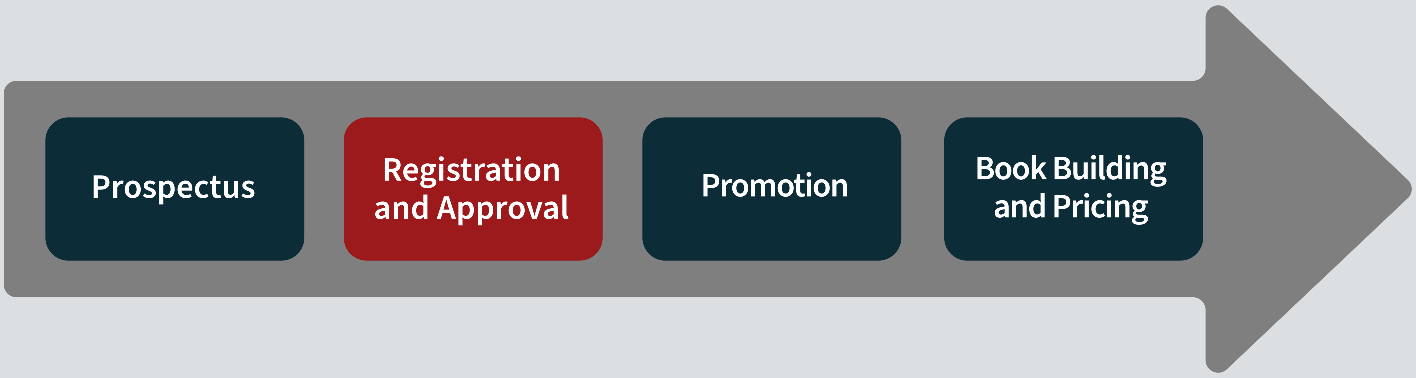
For short-term debt issues, it will be sufficient to disclose to the public the information contained in the "Cover Page" section of the respective Annex. The following table outlines the items to be considered:

- Issuers of Shares:
    - **Shareholder structure:** breakdown before and after the issue, specifying the rights attached to the different series of shares.
    - **Corporate governance:** description of how the issue will affect the control structure and rights of existing and new shareholders.
    - **Associated risks:** including financial, operational and market risks relevant to investors.

6. Post-issuance supervision related to the prospectus:

The simplified prospectus is not only relevant during the placement, but also serves as a reference for post-issuance obligations:

- **Ongoing supervision:** Stock Exchanges monitor the issuer's compliance with the covenants detailed in the prospectus, including financial reporting and disclosure of relevant events.
- **Financial compliance:** The terms and conditions of the issue, such as payment terms, risks assumed and debt structure, are monitored to ensure the stability of the issuer in the market.



4.2.2 Registration and Approval of the Issue

Step 1: Listing Application and Favorable Opinion to the Stock Exchange.

1. **Application:**

- An application signed by the issuer and the placement agent must be submitted to the Stock Exchange. The application must be accompanied by the documentation specified in Article 9 of the CUES, which includes:

- Articles of Incorporation of the issuer;

- Draft corporate resolution approving the issuance of the securities and the application for registration;

- Draft of the title of the securities;

- Financial Statements prepared in accordance with Articles 6 and 7 of the CUES, the characteristics of which are detailed in Section II.A. “Differences between Traditional and Simplified Issuers” of this guide;

- For Level II Simplified Issuers, an opinion on the credit quality of the issue provided by a securities rating agency;

- A prospectus prepared in accordance with Annex A or B of the CUES, which must contain key information about the offering, the issuer and the securities, organized in a clear and understandable manner. In addition, secondary information (such as patents, dividends or external audits) may be omitted if not applicable, and prior information may be included by clear reference. Issuers intending to issue short-term instruments (less than one year) are not required to provide the prospectus referred to in Annexes A and B of the CUES, and disclosure to the public of the information specified in the “Cover Page” section of the respective Annexes is sufficient; and

- Placement Agreement with the placement agent.

2. **Review by the Stock Exchange.**

3. **Validation of the documents submitted to ensure compliance with legal requirements.**

4. **Issuance of a favorable opinion required to proceed with the registration.**

Once the listing application has been submitted, the stock exchange where the securities are to be listed will review the information and documents and, if applicable, will issue its favorable opinion.

Step 2: Registration with the RNV.

This process begins when the Stock Exchange, jointly with the Simplified Issuer, submits the application for simplified registration to the CNBV. The application must be accompanied by the following documents:

1. Simplified Registration application prepared in accordance with Annex F of the CUES.

2. Public deed or certified copy of the general or special power of attorney of the representative of the Stock Exchange and the Simplified Issuer, including the registration information in the Public Registry of Commerce (except for foreign Simplified Issuers).

3. Certificate of the secretary of the board of directors, general director or sole administrator that the powers of the legal representatives have not been revoked, modified or limited as of the date of signing of the application.

4. Favorable opinion of the Stock Exchange, issued in accordance with Article 12 of the CUES, not older than 20 business days.

The CNBV has a period of 2 business days from the business day following the receipt of the application and its attachments to complete the registration.

Step 3: Preparation, Placement and Follow-up of the Offer.

Once the securities have been registered in the RNV in accordance with the procedure set forth in Article 13 of the CUES, the process of preparation and placement and registration of the securities begins, whether or not there is a public offering, taking into account the following aspects:

- **Offering:** carrying out the allotment process in accordance with the provisions applicable to the placement agents, as well as the crossing and settlement of the securities.

- **Folio update in the RNV[6]:** if there are modifications in the number, class or series of securities as a result of capital calls, these must be notified to the CNBV and reflected in the folio, in accordance with the provisions of the LMV.

Step 4: Maintaining the Listing.

After registration, the corresponding stock exchange must continuously verify that the Simplified Issuers comply with the requirements set forth in its internal regulations in order to maintain the listing. Likewise, during the month of June of each year, they must inform the CNBV of the status of the Simplified Issuers regarding the compliance of the requirements for maintaining the listing at the end of the previous month of May, as well as making this information available to the general public through its website.

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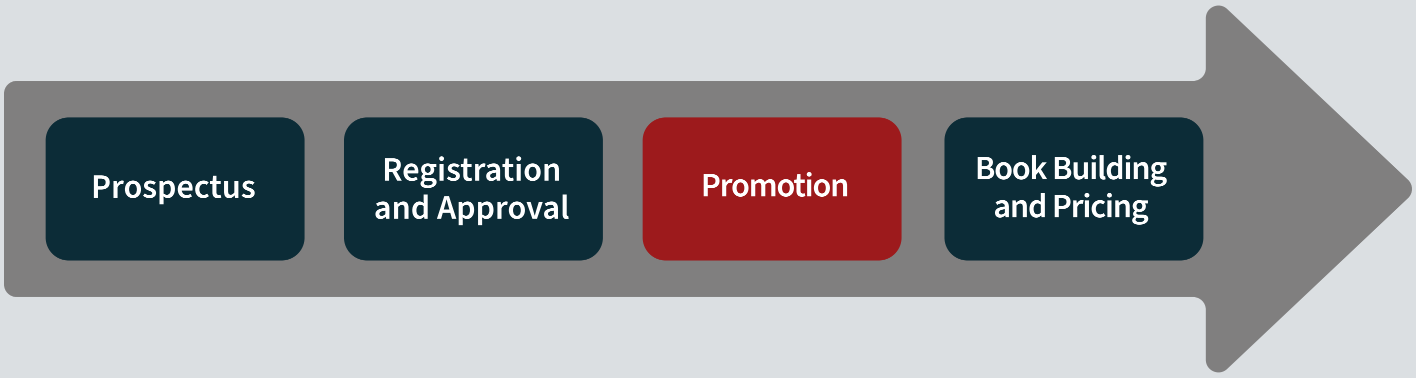
6. Article 75 of the LMV.



4.2.3 Promotion of the Issue

The promotion process under the Simplified Regime is distinct from the traditional model, similar to the issues made under SEC Rule 144A in the United States, and is limited to a narrower group of qualified investors. This offers greater flexibility and efficiency, reducing costs and time.

Key differences with respect to the promotion of issuances under the traditional issuance model include:

1. **Limited audience:** Promotional efforts are directed solely to institutional and qualified investors who have the technical expertise to analyze the risks and rewards of the issue. This reduces the need to produce descriptive materials for a wider and more general audience.

2. **Administrative simplification:** Issuers do not need prior authorization from the CNBV to conduct promotional activities, provided that they comply with the provisions set out in the regulations.

The simplified prospectus focuses on key information and avoids redundancies or extensive annexes.

Key components of the promotional process

Promotional material:
The promotional material must be clear and truthful; according to regulatory provisions, the documents used at this stage, such as the simplified

prospectus, the Key Investment Information Document (KIID), corporate presentations and the "*Selling Memorandum*", must faithfully reflect the risks, benefits and purpose of the issue. The "*Selling Memorandum*" or "*Selling Memo*" is a brief document primarily used by placement agents' sales force that summarizes the key features of the offering.

These materials are prepared in collaboration between the issuer, the placement agent and, in some applicable cases, legal advisors.

In the case of issued shares, it should include key information about the shareholding structure and associated rights, as well as relevant financial indicators.

4.2.3.1 Investor Roadshow

The roadshow is an important tool to attract the interest of institutional and qualified investors.

Generally, the promotion plan includes face-to-face or virtual meetings, group or individual, attended by representatives of pension funds, insurance companies, investment companies and other sophisticated investors participate. During these meetings, the terms of the issue, the risks involved, and the issuer's financial strategy are presented.

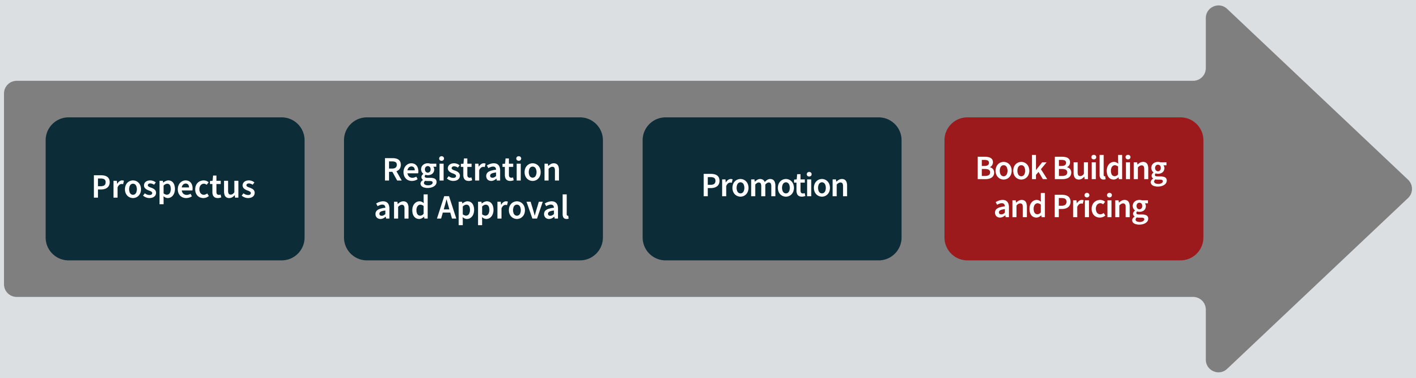
The success of the roadshow depends on careful preparation. Some key considerations include:

1. **Target audience:** identifying institutional and qualified investors who may be interested in the issue, segmenting them according to their risk profile and attractiveness to the debt market.

2. **Issuer presentation:** company executives (such as the CEO or CFO) explain the company's business strategy, the purpose of the funds and the financial highlights of the company.

3. **Q&A session:** An important part of the roadshow is to address specific investor concerns in order to ensure transparency and build confidence in the issue.

4.2.4 Book Building and Pricing



The book building process is a critical step in consolidating the issue in the market. This stage allows for the collection and registration of purchase intentions from interested investors, which serves as the basis for defining the final terms of the issue. In addition to facilitating the final structuring of the issue, bookbuilding makes it possible to accurately **assess market appetite, identify key investors, maximize the success of the placement** by adjusting the terms to market conditions and investor expectations, and, thus, create greater confidence in the issue.

4.2.4.1 Preliminary Indications

During this phase, the placement agent collects preliminary offers from investors, known as "indications of interest". These typically include, but are not limited to **(i)** suggested amounts (investors indicate the amount they would be willing to invest) and **(ii)** expected interest rates (investors indicate the yield they expect to receive based on market conditions and the issuer's risk profile). These indications make it possible to assess initial market demand and to strategically adjust key terms of the issue, such as the amount to be issued and the final interest rate.

4.2.4.2 Order Allocation and Determination of Terms

Once the preliminary indications have been analyzed, the final terms of the issue are determined and communicated. This process involves the following activities:

1. **Determination of Amount:**
   The Brokerage Firm, acting as placement agent, in coordination with the issuer, determines the final amount to be issued and the interest rate, considering the balance between maximizing financing efficiency and attracting key investors.

   In the case of shares, the price per share is determined taking into account factors such as the present value of the company, market conditions and the estimated demand. Although it is not the subject of this guide, it is important to note that in the case of shares, there are certain additional considerations in determining the number of shares to be issued. For example, an over-allotment of shares may be made in order to stabilize the market price.

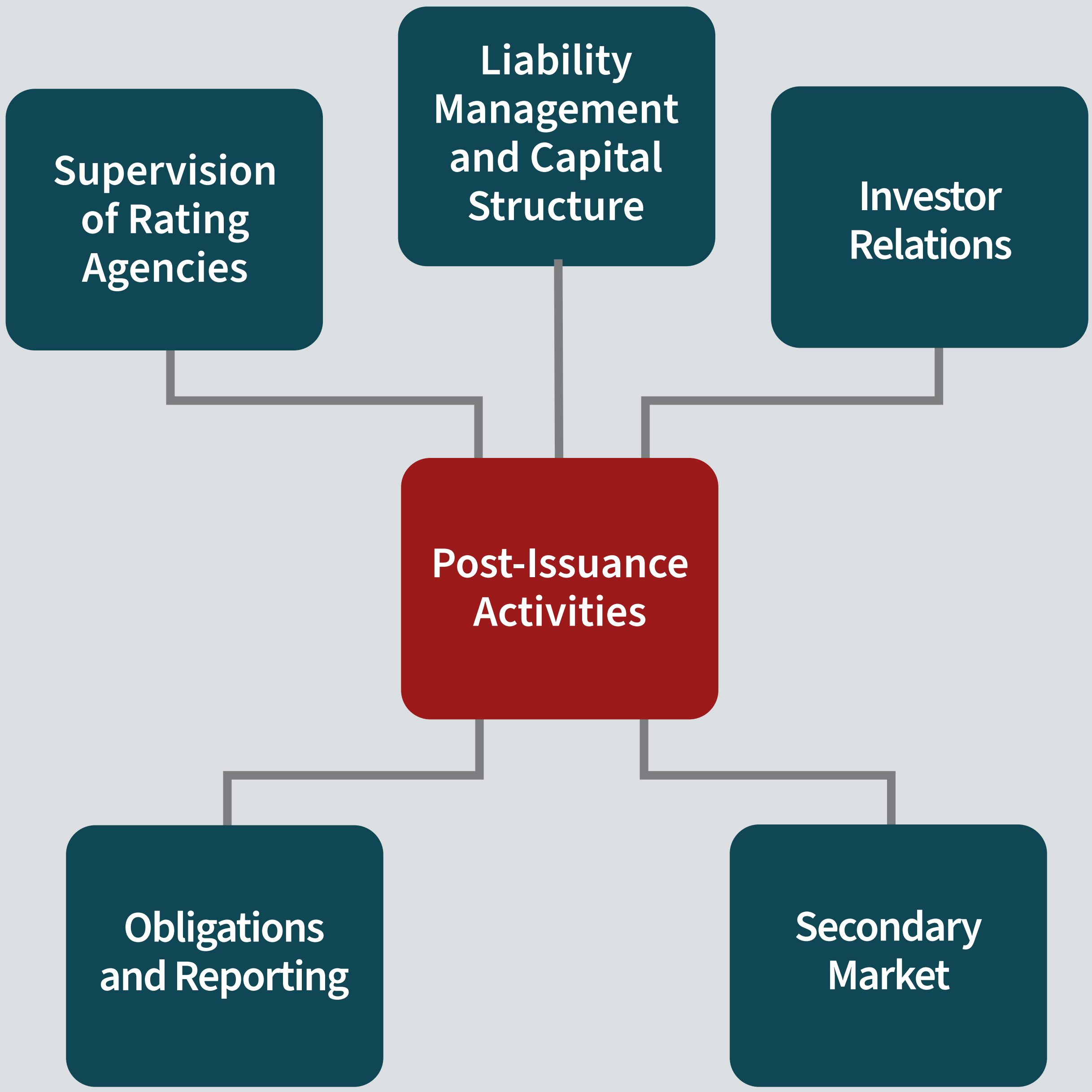
   If demand exceeds supply, it is possible to give priority to certain strategic investors or to apply a pro rata allocation system.

2. **Negotiation with anchor investors:**
   In some cases, the issue price and other terms can be pre-negotiated with an anchor investor who can guarantee a significant portion of the placement, thereby providing stability and confidence to the process.

4.3 Post-Issuance Activities

After placing securities in the market, Simplified Issuers must comply with a number of obligations detailed in the CUES and the LMV. These provisions ensure transparency, strengthen the confidence of qualified investors and ensure the stability and responsibility of the issuers in the market.

Below is a description of a series of activities that must be carried out by issuers once the placement of securities in the market has been completed. These are activities that contribute to compliance with legal requirements, as well as activities that improve the confidence and perception of the investing public.



4.3.1 Liability Management, Capital Structure, and Investor Relations

Once securities are placed in the market, issuers are responsible for managing their liabilities in a strategic manner to ensure compliance with their financial obligations, minimize risks and maintain an efficient debt structure.

4.3.1.1 Liability Management Strategies

Liability management involves optimizing costs, maturities, and risks associated with debt. Some key actions include:

1. **Debt restructuring:** refinancing existing debt at a lower interest rate or extending maturities to improve the issuer's liquidity.

2. **Maturity monitoring:** planning interest and principal payments in advance to avoid defaults.

3. **Deleveraging:** reducing debt levels through the strategic use of excess liquidity to improve the company's financial position.

4.3.1.2 Capital Structure Management Strategies

One of the most common mechanisms used by listed companies to optimize their capital structure is share repurchase. In this process, the issuer itself acquires a portion of its outstanding shares, which can have several strategic objectives, including:

1. **Increasing the value per share:** by reducing the number of shares available in the market, the proportional ownership of existing shareholders is increased, which can raise the share price.

2. **Improving market perception:** a buyback can be interpreted as a sign of the company's confidence in its future performance, thus improving investor perception.

3. **Optimizing the use of excess resources:** this allows the company to efficiently use its excess liquidity instead of holding unproductive capital.

4. **Controlling the shareholding structure:** buybacks allow a company to consolidate its control over the company and limit the dilution of decision-making power to third parties.

However, the implementation of this type of mechanism must always be based on careful financial analysis and in compliance with the applicable regulatory requirements.

4.3.1.3 Investor Relations

Although not a regulatory requirement under the Simplified Regime, maintaining effective communications with investors is a highly recommended practice that includes the following key elements:

1. **Ongoing transparency:** reporting regularly on the financial performance and use of funds raised in the issue.

2. **Managing expectations:** addressing investor inquiries to build and fortify investor confidence and foster long-term relationships.

3. **Access to future funding:** a good relationship with investors can facilitate the raising of funds in future issues.

Investor relations also help to build a solid reputation in the market, which can improve credit risk perceptions and, consequently, financing terms.

4.3.2 Secondary Market Considerations

The secondary market, although less dynamic for simplified issues, plays an important role in the monitoring of placed securities.

4.3.2.1 Behavior of the Secondary Market

1. **Limited activity:** given the lower volume and number of investors in simplified issues, trading in these securities is typically reduced compared to traditional issues.

2. **Impact on prices:** there are certain factors that may affect the price and yield of the securities, such as interest rate movements, changes in the issuer's risk perception or macroeconomic conditions.

4.3.2.2 Relevance of Monitoring

Monitoring of securities in the secondary market is fundamental in several aspects, including:

1. **Strategic decision making:** evaluating the performance of securities and adjusting liability management strategies, such as repurchases or debt swaps. In the case of equities, this may include designing share repurchase programs or implementing market price stabilization strategies.

2. **Preparation for new issues:** Analysis of secondary market activity can provide important information for structuring future issues, such as setting appropriate maturities, interest rates or amounts.

Despite its limited activity, the secondary market provides valuable signals about investor perception and the competitiveness of the securities being issued, which is crucial for the issuer's long-term financial management.

4.3.3 Financial Statements and Post-Issuance Disclosures

Simplified Issuers must comply with a number of obligations detailed in the CUES. These provisions ensure transparency, strengthen the confidence of qualified investors and ensure the stability and responsibility of the issuers in the market.

Periodic Financial Reporting

Simplified Issuers are required to provide periodic financial information that allows investors to evaluate their performance and make informed decisions.

1. **Annual reports:** issuers are required to submit Financial Statements audited by an external auditor by April 30. These reports allow investors to make a detailed analysis of the company's annual performance.
2. **Quarterly reports:** Level II Simplified Issuers and Simplified Issuers of Shares are required to file quarterly reports. These reports must meet the following deadlines:
    - For the first three quarters of the fiscal year: within 20 business days after the end of each quarter.
    - **For the fourth quarter:** within 40 business days after the end of the quarter.

The reports must include comparative Financial Statements that present, at a minimum, the figures for the relevant quarter together with the figures from the quarterly Financial Statement corresponding to the previous fiscal year, in accordance with the applicable accounting standards.

In the case of Simplified Issuers that are financial entities, they must publish the same information indicated above, but within the deadlines established by the general regulations issued by the competent Mexican financial authorities, according to the type of financial entity involved.

3. **Financial Statements of Trusts and Guarantors:** if there are trusts or guarantors associated with the issuance, their Financial Statements must also be included in the filing, providing a broader perspective on the risks and guarantees associated to the debt.

Reporting of Relevant Events

Under the provisions of the Simplified Regime, issuers registered in the RNV must promptly notify the stock exchanges and the investing public of any significant event that may affect their financial situation or alter market expectations, including any of the following:

1. **Corporate changes:** internal restructurings, mergers, acquisitions or any other relevant change in the corporate structure of the issuer.

2. **Significative financial derivative positions:** information about transactions that may have a material effect on the company's financial position.

3. **Unusual movements:** explanations of the causes of atypical fluctuations in the price or trading volume of its securities in the secondary market.

Maintenance of Listing

The Stock Exchanges shall, in due course, issue regulations detailing the requirements to be met by issuers in order to maintain their listing pursuant to Article 17 of the CUES.

4.3.4 Supervision of Rating Agencies

Rating Agencies

For Level II Simplified Issuers, credit ratings are an essential component that allows investors to assess the risks of the issue. In accordance with the provisions of the Simplified Regime, the rating agencies must conduct periodic reviews to keep their ratings current, considering any changes in the issuer's financial performance.

Periodic Review

The rating agencies perform annual reviews or reviews based on relevant events. These reviews include the updating of financial and operating information, and meeting with the issuer to analyze factors that may affect its ability to pay.

Impact of Material Changes

Positive changes, such as deleveraging or improved financial indicators, may result in an upward revision of the credit rating. Conversely, adverse events, such as a decline in revenues or payment defaults, which could affect access to financing and investor confidence.

5. IMPACT OF THE SIMPLIFIED REGIME ON THE MEXICAN SECURITIES MARKET

Impact of the Simplified Regime on the Mexican Securities Market

The Simplified Regime is transforming the Mexican Securities Market by facilitating the participation of SMEs and encouraging the modernization of issuance processes. Its benefits not only have a direct impact on issuing companies, but also generate a structural change in the market, promoting inclusion, diversification and sustainability.

5.1 Benefits and Challenges of the New Simplified Regime for SMEs

5.1.1 Reduction of Costs and Requirements

The Simplified Regime significantly reduces compliance costs by simplifying administrative procedures.

These changes allow SMEs to redirect resources to strategic aspects of the issuance process, such as financial structuring and promotion, thereby strengthening their ability to compete in the Securities Market.

5.1.2 Access to New Sources of Financing

The Simplified Regime opens the door for SMEs, which are usually limited to bank financing, to diversify their sources of capital. By participating in the Securities Market, these companies can obtain financing with longer terms and more favorable terms, strengthening their capacity for growth and financial sustainability.

5.1.3 Greater Streamlining in the Issue Process

The Simplified Regime significantly reduces the time and complexity of the issuing process, providing an efficient alternative for SMEs to access the Securities Market. It is also designed to meet the specific needs of issuers by removing technical and administrative barriers that have traditionally hindered their participation.

5.1.4 Strengthening the Business Sector

The Simplified Regime encourages the development of strategic projects, such as operational expansion, technological innovation and improvement of working capital. Likewise, by participating in the Securities market, companies tend to strengthen their corporate governance practices, which contributes to their long-term sustainability and competitiveness.

5.1.5 Improvement of Corporate Image

Inclusion in regulated markets provides a seal of trust and transparency that enhances the credibility of companies. This strengthens their relationship with customers, suppliers and investors by positioning them as responsible and solid players in the financial and commercial markets.

5.2 Impact on the Securities Market

The implementation of the Simplified Regime under the Amendment represents a significant step forward in strengthening the financial markets in Mexico. This new model promotes financial inclusion by removing historical barriers that have kept many SMEs out of the Securities Market.

The participation of these companies not only diversifies the issuer landscape, but also expands investment opportunities, creating a more balanced and competitive ecosystem. By fostering transparency practices and better corporate governance, SMEs strengthen their accountability, which increases investor confidence and solidifies their position in the sector.

In the medium and long term, this dynamism is expected to boost the country's economic growth by enabling more companies to finance strategic projects through the stock market. This will not only strengthen the Securities Market but will also position it as an important complement to the activities of Mexico's commercial banks, creating a more solid and inclusive financial system.

5.3 Main Challenges for SME Issuers

Although the Simplified Regime has lowered the barriers for SMEs to enter the Securities Market, these companies still face significant challenges that could limit their participation and success.

A major challenge is the lack of technical and human resources in smaller companies. Many of them do not have the necessary sophistication to manage the administrative, financial and technical processes required for a securities issue. This could become a barrier that prevents them from accessing the market.

In addition, although the cost of issuing is lower than under traditional regimes, it can still be prohibitive for smaller companies. These expenses include placement agent commissions, stock exchange fees, hiring additional staff and regulatory fees imposed by the CNBV. These financial barriers may also limit the participation of certain SMEs in the market.

Finally, the limited size of Level I issuances under the Simplified Regime may not be attractive to certain institutional investors, such as pension fund managers (*Afores*) or insurance companies, although they may choose to participate through *ad-hoc* investment vehicles.

Accordingly, although the Simplified Regime represents significant progress, SMEs still face challenges that require attention in order to maximize their potential within the Securities Market.

5.4 Diversification of Issuers in the Securities Market

We can conclude, then, that the diversification of issuers in the Mexican Securities Market has been driven by the CUES. This regulatory framework allows more companies, especially SMEs, to access the stock market, thereby increasing the diversity of the business ecosystem.

Diversification means a greater variety of issuers available to investors and a broader representation of economic sectors. An increase in the number and type of issuers contributes to a better distribution of risk among investors. The ability to choose different sectors and business models also mitigates the risk associated with concentration in a limited number of issuers.

From a macroeconomic perspective, a market with multiple issuers is more stable in the face of economic shocks. Negative impacts on a particular sector can be offset by positive performance in other sectors, creating a more robust environment during economic downturns. Additionally, the entry of new issuers fosters competition within the market, which benefits investors by providing them with more choices and potentially better returns.

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