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Mexico: Law and Practice

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Aziz & Kaye Business Law



MEXICO



Law and Practice

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Aziz & Kaye Business Law is headquartered in Mexico City. The firm serves as a strategic ally and gateway for doing business in Mexico, its mission being to provide bespoke legal advice, placing clients' businesses at the forefront. Aziz & Kaye Business Law's core priority is to deliver value to companies seeking top-tier professionals with strong legal expertise and a business-oriented approach to decision-making. Specialising in corporate, transactional and antitrust law, the firm adeptly navigates the complex legal and commercial landscapes of its clients. With two partners, one of counsel and six associates, the corporate team draws on over three decades of experience, offering expert advice on M&A, joint ventures, due diligence, corporate governance and data privacy. Aziz & Kaye Business Law's corporate clients operate across a range of industries, including real estate, banking, entertainment, healthcare, advertising, transportation and telecommunications, with a client base that includes publicly listed companies in both Mexico and the United States.

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1. Market Conditions

1.1 Geopolitical and Economic Factors

Setting up a joint venture (JV) is a main strategy for companies seeking to navigate the complexities of the Mexican market while leveraging local expertise. JV activities have been impacted by several factors.

Currency Fluctuations

The peso's strong performance has complicated matters for foreign companies seeking cost-efficient JV participation, making acquisitions and partnerships potentially more expensive. However, geopolitical factors (such as US foreign policy) may impact the Mexican currency and cross-border transactions.

Geopolitical Factors

Tensions between the United States and China have driven companies to explore alternative markets, with Mexico emerging as an attractive option. Foreign companies interested in entering the Mexican market are assessing three main approaches:

- establishing a buyer–seller relationship;
- forming a JV; or
- pursuing an acquisition.

However, global relocation activities, such as nearshoring, have been affected by US foreign policy.

US Foreign Policy

The evolving foreign policy of the United States presents challenges for cross-border joint ventures, creating an environment of uncertainty that may affect investor confidence and complicate long-term strategic planning. The 2026 military escalation involving the United States and Iran has contributed to volatility in global energy prices and financial markets, factors that JV partners should consider when projecting operational costs.

Additionally, at the mandatory 2026 joint review, the United States declined to confirm the extension of the United States–Mexico–Canada Agreement (USMCA), triggering annual reviews. While the Agreement remains in force through 2036, this creates recurring regulatory uncertainty for ventures relying on preferential North American market access. Nevertheless, Mexico continues to benefit from its geographic proximity to the US.

For JV partners, this environment requires careful risk assessment and flexible structuring, but Mexico's manufacturing base, skilled workforce and evolving regulatory framework continue to present opportunities for companies seeking to diversify supply chains and access North American markets.

1.2 Industry Trends and Emerging Technologies

The artificial intelligence (AI) sector represents an area of increased interest, with companies assessing mar-

ket entry and expansion strategies within Mexico and joint ventures emerging as an alternative for cross-border transactions.

As of mid-2026, Mexico has still not enacted comprehensive federal legislation specifically regulating AI, despite ongoing legislative proposals in the Mexican Congress. A Senate-led initiative for a General AI Law remains under discussion in committee, alongside a parallel proposal to amend Article 73 of the Constitution to expressly empower Congress to legislate on AI; neither has been approved to date, and analysts consider approval in its current form uncertain given the scope of the proposed regulatory agency.

The only regulatory and binding AI-related development so far has been a May 2026 amendment to the Federal Labour Law and the Federal Copyright Law addressing AI-related issues in those specific areas.

2. JV Structure and Strategy

2.1 Typical JV Structures

JVs in Mexico are typically established through a contractual arrangement (contractual JV) or a company (corporate JV).

The choice between these alternatives depends on various factors, discussed in **2.2 Strategic Drivers for JV Structuring**.

Contractual JV

In a contractual JV, parties pool efforts and resources through a formal agreement. This can take the form of a collaboration, co-investment, profit-sharing, trust or other agreement outlining each party's responsibilities, benefits and contributions.

For more information on the content of these documents, see **6.1 Drafting and Structure of the Agreement**.

Corporate JV

The parties may choose to become partners or shareholders in a dedicated legal entity. In this case, the rights and obligations of the parties are typically defined in the by-laws of the corporate JV and in a separate shareholders' or partners' agreement.

The most common types of entities used as corporate JVs in Mexico are outlined below.

Corporation

In corporations (*sociedades anonimas*), shareholder liability is limited to their share value, and ownership is represented by freely transferable share certificates. Publicly traded corporations can be structured as stock corporations (SAB) or stock promotion investment corporations (SAPIB), subject to additional regulations.

Promotion investment corporation (SAPI)

Promotion investment corporations blend features of traditional corporations with enhanced flexibility for investors, offering greater leeway in shareholding agreements and fostering stronger corporate governance standards.

Compared to regular corporations, SAPIs typically offer lower thresholds for minority rights, and are allowed to acquire their own shares and to restrict profit sharing with shareholders.

Limited liability company

Limited liability companies (*sociedades de responsabilidad limitada*) can have up to 50 partners. Partner approval is required for admitting new members or transferring equity holdings, except in certain cases, such as inheritance. This type of entity often appeals to US investors due to potential pass-through tax treatment.

2.2 Strategic Drivers for JV Structuring

Choosing the appropriate JV vehicle involves analysing several factors.

Tax Strategy

Tax consequences often play a decisive role in choosing between setting up a contractual JV or a corporate JV. Key considerations include:

- the potential addition of an extra taxable layer or level when incorporating a corporate JV;

- the possibility that tax authorities may consider (and, therefore, tax) a contractual JV as an implied corporate JV, even without formal incorporation; and
- the overall feasibility and profitability of the project after accounting for tax effects.

It is crucial to have tax experts review any proposed JV structure to assess its implications for all parties.

Long-Term Vision

The intended duration and depth of the partnership significantly influence the JV vehicle choice.

- Long-term, deeply integrated partnerships often favour the formation of a corporate JV.
- Exploratory or temporary collaborations may be better suited to a contractual JV.
- The perceived importance of each party's contribution to the project's success can influence the level of commitment and, consequently, the chosen structure.

Decision-Making Processes

When a project requires frequent collaboration, discussion and agreement on operational decisions, a corporate JV often provides a more structured governance framework.

A corporate JV is typically preferred when partners anticipate the need for a robust, long-term decision-making framework that can adapt to changing project needs over time.

While a contractual JV can also include decision-making provisions, it may lack the formal organisational structure of a corporate JV. However, certain contractual JVs, such as trust agreements, may include decision-making provisions and bodies in which JV members participate.

Allocation of Profits and Losses

A corporate JV might be more efficient for allocating profits and losses and maintaining accounting records, especially in projects with intensive operations.

Liability Protection

When selecting a JV vehicle, parties also consider associated risks and liability exposure. The corporate veil offered by a corporate JV typically provides an additional layer of protection. This may also occur in certain contractual JVs, such as trust agreements, where execution results in a legal structure that, through a trustee's intervention, can carry out certain acts without the JV members directly intervening.

However, when one party primarily contributes funds while the other handles operations and client interactions, a contractual JV might be preferred. This structure allows clearer assignment of liability for fronting activities, including regulatory compliance, to the party performing these functions.

Regulations

In some scenarios, industry regulations are the deciding factor when assessing the most suitable JV vehicle. When foreign parties are involved, and depending on the JV's activity, foreign investment regulation should be reviewed to confirm no provision restricts foreign shareholder and partner participation in the corporate JV's capital stock.

Additionally, certain projects, such as those derived from public bidding, may require the formation of a corporate JV to comply with regulatory requirements.

3. JV Regulation

3.1 Legal Framework and Regulatory Bodies

In Mexico, there is no specific regulation governing JVs. The regulatory framework applicable to a JV transaction depends on the type of vehicle chosen and other factors. Under certain scenarios, a JV may be considered a merger under Mexican antitrust law and, if the applicable statutory thresholds are met, may require prior authorisation from the National Antitrust Commission (*Comisión Nacional Antimonopolio*, or CNA) before its execution.

In such cases, the main applicable statute will be the Federal Economic Competition Law. For more information, see **3.4 Competition Law and Antitrust**.

All JV transactions are subject to general civil and commercial regulations. If the vehicle is a corporate JV, the primary statutory provisions will be the General Law of Business Companies. When a SAPI is involved, the Securities Market Law will also apply.

Regardless of the JV structure, the vehicle will be bound to comply with other regulations, including labour, tax, environmental, financial, intellectual property and data privacy laws, depending on its activities.

3.2 Anti-Money Laundering Compliance

The main anti-money laundering regulations (the "AML Regulations") applicable in Mexico are:

- the Federal Law for the Prevention and Identification of Illicitly Funded Transactions (LFPIORPI);
- the Regulations to the Federal Law for the Prevention and Identification of Illicitly Funded Transactions;
- the General Rules issued by the Ministry of Finance and Public Credit, with the Tax Administration Service acting as the operational channel for registrations and filings; and
- the Federal Criminal Code, which establishes the criminal offence of operations with resources of illicit origin (commonly referred to as money laundering (Article 400 bis) and terrorism financing (Article 139 quater and 139 quinquies).

As at the date of this guide (15 September 2026), all instruments remain in force. The LFPIORPI was most recently amended in July 2025 and its regulations were most recently amended in November 2025 and March 2026. The General Rules were updated on 7 August 2026 to implement the July 2025 reform and the March 2026 amendment to the regulations. The amended General Rules generally take effect on 30 November 2026, with certain provisions phased in from 1 March 2027.

The AML Regulations provide the framework applicable to individuals and entities (including financial institutions) that carry out economic transactions in Mexico deemed prone to illicit funding or financing organised crime or terrorism. Such transactions are considered vulnerable activities.

The Ministry of Finance and Public Credit is the main authority overseeing and enforcing the AML Regulations. However, depending on the specific nature of each vulnerable activity, it may be subject to additional regulations and oversight from other authorities.

Beyond the domestic AML Regulations described above, JV parties should also account for the extra-territorial reach of certain international anti-money laundering and sanctions regime. For example, United States AML Regulations are increasingly relevant to JVs with any nexus to the US, whether through counterparties, supply chains or payments. Following the designation of certain Mexico-based criminal organisations as Foreign Terrorist Organisations and Specially Designated Global Terrorists, the US Department of the Treasury's Office of Foreign Assets Control (OFAC) has increased sanctions designations against individuals and entities with links to unlawful activities connected to Mexico, and US authorities have signalled a sustained enforcement focus in this area.

OFAC's sanctions regime operates on a strict-liability basis, meaning that exposure can arise irrespective of a party's knowledge or intent. As a matter of compliance, JV parties should consider incorporating periodic screening of counterparties and certain third parties against OFAC's lists, together with documented procedures for managing and escalating potential matches.

Given that payments made to, or received from, third parties in connection with a JV's operations can give rise to sanctions or AML exposure even where the JV itself has no direct relationship with a sanctioned person, JVs should also address ongoing due diligence and reporting obligations, monitoring of transactions for suspicious activity, and contractual mechanisms such as representations and warranties, audit and termination rights, that facilitate a prompt response to AML risk.

3.3 Sanctions, National Security and Foreign Investment Controls

There are no restrictions on co-operating with JV partners in Mexico as a consequence of sanctions laws, nor are there any specific national security regulations

or considerations that apply to the formation of a JV in Mexico.

For corporate JVs, restrictions may apply regarding foreign participation in the company's capital stock, depending on the company's activities. Mexico's Foreign Investment Law sets forth three categories of restrictions:

- activities reserved exclusively to the state;
- activities reserved exclusively to Mexican individuals or Mexican companies with a foreign investment exclusion clause; and
- activities with specific limits on foreign ownership, ranging from 10% to 49%.

Additionally, foreign investors are required to obtain approval from the National Commission of Foreign Investments to hold, directly or indirectly, more than 49% of a company's capital stock if the company's assets exceed a value set annually by the authority. The current threshold, updated annually based on Mexico's GDP growth and published via a General Resolution of the National Foreign Investment Commission (CNIE), stands at approximately MXN28.6 billion (equivalent to approximately USD1.6 billion at current exchange rates).

3.4 Competition Law and Antitrust

The main authority for antitrust matters in Mexico is the CNA, which formally began operations in October 2025, replacing the Federal Economic Competition Commission (FECC) and assuming the competition-related powers previously exercised by the Federal Telecommunications Institute in the telecommunications and broadcasting sectors.

Under the Federal Economic Competition Law (FECL), amended in July 2025, the following practices are prohibited: (i) monopolistic practices (cartels and abuse of dominance); and (ii) unlawful mergers.

A contractual or corporate JV may qualify as a merger under the FECL, which defines a merger as the acquisition of control or any act resulting in the union or combination of companies, associations, shares, equity interests, trust rights, or assets between economic agents.

The former FECC's merger notification guide indicates that the relevant factors for determining whether a collaboration constitutes a merger under the FECL and, if the applicable thresholds are met, is subject to prior authorisation, include its duration, the functional and operational independence of the JV, and the scope of the collaboration. Long-term or indefinite arrangements, the creation of an autonomous economic agent, and the integration or joint use of assets may support the treatment of a JV as a merger for Mexican antitrust purposes.

Where the participants are actual or potential competitors, they should maintain their competitive independence outside the scope of the JV and limit any exchange of competitively sensitive information to what is necessary for its operation. The treatment or authorisation of a JV as a merger does not exempt its participants from liability if the arrangement constitutes cartel conduct.

The CNA will not authorise or will investigate and sanction mergers that diminish or damage competition and free market participation.

According to the current FECL and subject to certain exceptions outlined in the law, mergers exceeding certain thresholds must be notified to the CNA before their effects take place in Mexico. Said thresholds have been reduced in the revised FECL.

It is important to mention that failure to notify a merger when there is an obligation to do so may result in the imposition of a fine of up to 8% of the economic agents' turnover.

Nonetheless, economic agents may also voluntarily notify such mergers to the CNA, particularly where the structures of potential competitive effects merit closer assessment.

It is important to consider that the CNA may investigate transactions in certain cases that do not require prior notification up until three years after their closing, if it considers that there are indications that the transaction may have as its object (purpose) or effect to hinder, reduce, harm or impede competition or free market access (also defined as unlawful merger).

It is worth noting that certain types of transactions may receive different treatment. For example, in the context of strategic alliances between airlines, the former competition authority, FECC, had indicated that even if these alliances do not surpass the notification thresholds, they could still be subject to review. This is due to the potential and significant impact on market dynamics and competition, especially in a market as sensitive as air transportation. The FECC highlighted in a formal opinion that such alliances may lead to co-ordinated practices or market foreclosure effects, thus justifying the need for a thorough examination to prevent any anti-competitive outcomes.

Having completed its first full quarter of operations in early 2026, the CNA has already resolved 118 merger filings across sectors including:

- pharmaceuticals;
- aircraft leasing;
- auto parts;
- manufacturing;
- financial services;
- transportation; and
- commerce.

Also, the CNA has signalled that the following will be priority sectors for scrutiny:

- financial;
- agri-food;
- energy;
- health;
- telecommunications and broadcasting;
- transportation; and
- logistics services.

Nonetheless, its interpretative approach to borderline cases – such as the airline alliance scenario discussed above – is still developing.

One major change from the previous competition framework to the new FECL is the reduction from 60 to 30 business days for the CNA to issue a resolution, after confirming that the file subject to review is complete and all information requirements have been satisfied by the economic agents, with the possibility of an extension of 20 business days only in exceptionally complex cases.

The transaction must not be closed before the authority's approval or deemed approval (no resolution within the applicable term). Non-compliant transactions will be considered null and void, may be subject to increased penalties under the FECL and will face increased scrutiny by the CNA.

3.5 Listed Companies and Market Disclosure Rules

Joint ventures in Mexico have no general mandatory disclosure requirements for participants, but specific disclosure obligations may apply when the JV structure involves publicly listed companies.

For instance, key disclosure triggers for publicly listed companies include:

- acquisitions of 10–30% of publicly listed shares requiring disclosure of shareholding details and acquisition intentions;
- group acquisitions requiring individual member holdings disclosure;
- related party transactions involving 5% increases or decreases in ownership stakes; and
- ongoing reporting obligations for holders of 10% or more of publicly listed shares, board members and relevant officers to notify the National Banking and Securities Commission and, in certain cases, make public disclosures of securities transactions.

3.6 Transparency and Ownership Disclosure

In Mexico, the Federal Tax Code sets forth "ultimate beneficial owner" (UBO) disclosure requirements aimed at enhancing transparency and combating tax evasion.

Tax provisions mandate that all legal entities, including certain contractual arrangements, identify and disclose information about individuals with control or that derive ultimate benefits from their participation in the entity or structure.

Entities are required to collect and maintain updated records of UBOs, including detailed information regarding the chain of ownership and control when

an indirect structure is involved, as well as identification and documentation of control exerted through other legal arrangements, such as trusts or fiduciary structures.

Entities are required to maintain accounting records, including UBO information, for the period specified by law. The information must be made available to the tax authority upon request.

4. Legal Developments

4.1 Notable Recent Decisions or Statutory Developments

There have been significant legal developments and court decisions recently for corporate JVs.

In October 2023, the General Law of Business Companies was amended to include provisions that allow business companies to use digital platforms and any other real-time technologies to hold remote shareholders', partners', directors' and managers' meetings.

In April 2024, the Supreme Court (SCJN) issued a resolution that substantially redefined the civil liability regime for directors of Mexican commercial companies. The Court determined that shareholders or partners may bring direct civil actions against directors if they suffer direct and personal damage, even if such damage does not derive from harm to the company itself. This decision broadens the potential liability of directors and enhances the protection of minority shareholders and partners in JVs, as it recognises their right to seek judicial remedies for direct damages caused by directors' acts or omissions.

Additionally, a constitutional reform of the judiciary took effect in 2024, leading to the popular election of federal judges, including Supreme Court justices. While the reform did not amend substantive rules on commercial arbitration, it is widely regarded by practitioners as having reduced the predictability of ordinary commercial litigation, given the initial lack of specialised commercial experience among newly elected judges. JV parties should factor this into their choice of dispute resolution mechanism (see **6.8 Applicable Law and Dispute Resolution in International JVs**).

5. Negotiating the Terms

5.1 Preliminary Negotiation Instruments and Practices

In the negotiation stage of a JV transaction, parties typically begin by exchanging a mutual non-disclosure agreement (NDA) to facilitate sharing sensitive information. If the parties wish to proceed, they often draft a preliminary document outlining their intentions and basic conditions for closing.

This preliminary document usually takes the form of a letter of intent (LOI) or a memorandum of understanding (MOU). While contents may vary depending on the proposed JV's nature, these documents generally include several key elements.

- Identity of the parties – The document first identifies the parties involved in the potential transaction, clarifying the main stakeholders and their roles in the proposed venture.
- Project – It then describes the project or transaction the parties intend to undertake, outlining the JV's core purpose and setting the stage for further negotiations.
- Contributions – The LOI or MOU typically specifies each party's expected contributions, which may include financial investments, intellectual property, technical expertise or other resources essential to the venture's success.
- Type of vehicle – The intended structure for the JV (either contractual or corporate) is usually specified. If undecided, the document outlines the process or criteria for making this decision.
- Corporate and economic rights – For corporate JVs, the preliminary document delineates the corporate and economic rights of each party, such as voting rights, approval of major items, appointment of management, and profit distribution.
- Due diligence – If the JV vehicle already exists and a party is considering joining, the document outlines the due diligence process, allowing the incoming party to assess the business before committing.

- Conditions to closing – The document lists conditions required to close the transaction, which may include regulatory approvals, financial benchmarks or other criteria that must be met before finalising the JV.
- Exclusivity – An exclusivity clause is often included, establishing a period during which parties agree not to negotiate similar projects with third parties, ensuring focused, good-faith negotiations.
- Applicable legislation and jurisdiction – While LOIs and MOUs are generally non-binding, certain provisions (such as exclusivity, confidentiality, notices and applicable legislation or jurisdiction) are often explicitly made binding to address potential disputes.

5.2 Disclosure Obligations

While there is no general regulatory requirement to disclose a JV transaction in Mexico, specific disclosure obligations may arise depending on various factors. These factors include:

- the nature and industry of the venture;
- the transaction value;
- the parties involved; and
- their respective market shares.

For instance, compliance with the FECL may be necessary under certain circumstances. If the JV qualifies as a merger under the FECL and exceeds the specified thresholds, the parties would be required to notify the relevant antitrust authorities before the transaction takes effect in Mexico. This notification process effectively serves as a form of disclosure, albeit to regulatory bodies rather than the public. See **3.4 Competition Law and Antitrust**.

Additionally, if any of the parties involved are publicly traded companies, they may be subject to additional transparency requirements mandated by securities laws. These obligations could require public announcement of material business transactions, which might include the formation of a JV.

In exceptional cases, foreign investment participation in corporate JVs may require governmental approval. See **3.3 Sanctions, National Security and Foreign Investment Controls**.

5.3 Conditions Precedent, Material Adverse Change and Force Majeure

Mexican JV agreements typically require satisfaction of conditions precedent before closing, such as obtaining the following:

- regulatory approvals (notably antitrust);
- third-party consents;
- operating licences;
- shareholder and board approvals;
- tax clearances;
- finalised funding;
- executed transaction documents; and
- confirmation of no material litigation.

If unmet and impossible to waive, parties may terminate or delay closing.

Material adverse change (MAC) clauses allow parties to withdraw or renegotiate if significant adverse events occur between signing and closing, with definitions often based on financial thresholds or specific events, and negotiations focusing on scope and carve-outs.

Force majeure clauses protect parties from liability when extraordinary, unforeseeable events (eg, natural disasters, war, epidemics or government actions) prevent performance. These clauses require direct causation, prompt notification, mitigation efforts, and typically suspend obligations during the event, sometimes allowing renegotiation or termination if disruptions persist. Parties may negotiate carve-outs or require that events be unexpected at signing.

5.4 Legal Formation and Capital Requirements

In a contractual JV, the parties must execute the relevant agreements to bind themselves to the project, in some instances as detailed in the negotiation documents. See **5.1 Preliminary Negotiation Instruments and Practices**.

Typically, collaboration, profit-sharing or co-investment agreements do not require execution before a public notary. However, parties may choose to notarise documents or have signatures ratified by a public notary for added legal certainty. Transfer of assets may require notarisation.

For a corporate JV, the parties must first select the type of legal entity that best aligns with the intended rights and obligations of each party. For instance, if profit-sharing restrictions apply to one of the parties, the JV vehicle will likely need to be a SAPI, as this type of entity allows for the exclusion of certain shareholders from revenue sharing. No statutory minimum capital is required to incorporate a company in Mexico, but the capital stock or equity should be set forth in the by-laws.

Once the entity type is chosen and the terms of the corporate JV's by-laws are agreed upon (along with the terms of the shareholders' agreement and any ancillary documents, if required), the parties must incorporate the corporate JV before a public notary. This incorporation process results in the legal existence of the corporate JV, evidenced by an incorporation deed containing the entity's by-laws and the first resolution of the shareholders or partners. The deed must then be registered in the public registry corresponding to the company's corporate domicile as specified in the by-laws.

Typically, the shareholders' agreement and any other transaction documents are executed simultaneously with or immediately following the incorporation of the corporate JV.

If the corporate JV has foreign shareholders or partners, it must also be registered with the National Registry of Foreign Investments and JV parties must consider potential restrictions regarding foreign investment. See **3.3 Sanctions, National Security and Foreign Investment Controls**.

6. Core Terms of a JV Agreement

6.1 Drafting and Structure of the Agreement

The documentation required for a JV depends on the type of vehicle chosen.

Corporate JV

In a corporate JV, the main documents are the company's by-laws and, often, a shareholders' or partners' agreement.

These typically address:

- major decisions (requiring unanimous or qualified majority approval, such as amending by-laws, dissolving the company, or altering dividend policy);
- share or equity transfer restrictions (pre-emptive rights, drag-along and tag-along);
- change of control (preventing indirect ownership transfers);
- deadlock and buy/sell mechanisms (procedures for resolving impasses and exit strategies);
- board and committee appointments (including independent directors and committees modelled after public companies);
- funding commitments (future capital contributions, funding calendars or milestones);
- dividend policy;
- non-compete obligations (including post-exit terms);
- confidentiality (surviving a party's exit);
- intellectual property (ownership or licensing, see **8.2 Licensing v Assignment of IP Rights**);
- related-party transactions (approval processes);
- exclusivity and territory (operating area and exclusivity rules); and
- dispute resolution (choice of law, venue and arbitration options).

Contractual JV

In a contractual JV, the collaboration or co-investment agreement will include similar provisions:

- key decision-making processes;
- deadlock resolution;
- funding commitments;
- allocation of expenses and income;
- non-compete obligations;
- related-party transactions;
- exclusivity and territory;
- intellectual property rights; and
- dispute resolution mechanisms.

6.2 Governance and Decision-Making

Decision-making in the JV entity must be clearly defined in the JV document: either in the contractual arrangement for a contractual JV or in the by-laws for a corporate JV (see **2.1 Typical JV Structures**).

In Mexico, corporate JVs follow the rules of the chosen company type, with the shareholders' or partners' meeting as the ultimate governing body responsible for key decisions (eg, balance sheet approval, director appointments, profit distribution, by-law amendments, capital changes and dissolution).

These meetings generally operate by simple majority unless higher thresholds are required by law or by-laws, and additional reserved matters or special voting requirements can be included in the by-laws. Operational decisions are typically made by the board of directors, also by simple majority unless otherwise specified.

Contractual JVs offer flexibility in designing decision-making rules, such as assigning differentiated roles, specifying voting thresholds for certain issues, and determining decision-making rights based on contributions.

It is essential to clearly allocate decision-making authority, quorum and voting requirements, and deadlock provisions in the JV documents (see **6.4 Deadlocks** for more information).

6.3 Funding

Corporate JV

In a corporate JV, funding is typically accomplished through equity contributions, though debt or a mix of both may also be used.

Initial equity commitments are often modest, with further funding provided as needed by JV members or third parties, either upon creation, according to a funding schedule or via capital call mechanisms.

To ensure financial certainty, budgets or maximum call amounts are usually set, and capital call provisions may include measures to prevent dilution or unwanted changes in ownership, such as unpaid subscribed shares, subscription premiums or special rights.

Provisions should address unforeseen funding needs and their impact on ownership. Where debt or related-party transactions are involved, transfer pricing analysis by a tax specialist is essential.

Contractual JV

Funding in a contractual JV is based on tax and accounting assessments to efficiently allocate costs and distribute revenue without a shared legal entity.

Commonly, each party covers its own assigned expenses, which are considered in profit allocation, or one party may charge fees for certain activities. Transaction documents typically include a budget, outline funding commitments and specify milestones for disbursements.

Debt funding by a party requires careful tax and transfer pricing analysis if members are related parties.

6.4 Deadlocks

A deadlock occurs when the board of directors or JV partners are unable to reach a decision due to an equal number of votes for and against a proposal, or when a unanimous vote is required but not achieved. It may also arise if the board, shareholders' or partners' meeting repeatedly fails to achieve a legal quorum, preventing the body from being officially convened.

To address such situations, JV documents often include deadlock provisions that set out rules to help the board or partners move forward. Common mechanisms to break a deadlock include:

- mediation by a neutral third party or arbitration;
- one partner electing to sell its participation in the JV or buy out the other partners (known as Russian roulette or shotgun terms);
- third-party buyout;
- liquidation or winding-up of the JV as a last resort; or
- if the deadlock occurs at board level, referring the issue to the shareholders' or partners' meeting for resolution.

Despite the availability of these mechanisms, it is advisable to try to prevent deadlocks in the first place, for example, by appointing an odd number of directors or granting a casting vote to a designated person in the JV documents.

6.5 Other Documentation

A JV structure often necessitates documentation beyond that establishing the vehicle and outlining the rules governing the relationship between the parties.

For instance, parties may need to transfer certain assets to the corporate JV, requiring a contribution or purchase and sale agreement. If the corporate JV, or a party in a contractual JV, needs to use an asset owned by another JV member or third party, a lease or bailment agreement may be necessary. For agreements related to intellectual property, see **8.2 Licensing v Assignment of IP Rights**.

Furthermore, in both corporate JV and contractual JV structures, the execution of services, distribution or supply agreements may be required. These agreements delineate the operational relationships between the JV and its partners or external entities.

When the structure includes debt funding, the transaction documents will also encompass a loan agreement and associated collateral documents.

6.6 Rights and Obligations of JV Partners

While the specific allocation of rights and duties will depend on the JV structure and the negotiated agreement, the following are key considerations.

Rights of JV Partners

Key rights are as follows:

- Profit sharing and loss allocation – JV partners are typically entitled to share the profits and bear losses of the JV in proportion to their respective contributions, unless otherwise agreed. In corporate JVs, this is usually set forth in the by-laws or shareholders' agreement; in contractual JVs, it is defined in the JV contract.
- Access to information – Partners should have the right to timely and accurate information regarding the JV's operations, financial status and material developments. In corporate JVs, statutory minimums apply, but partners may negotiate enhanced information rights.
- Participation in governance – Depending on the structure, partners may have rights to appoint board members, participate in key decision-making and vote on reserved matters. (See **6.2 Governance and Decision-Making** and **6.7 Minority Protection and Control Rights**.)
- Exit and transfer rights – Rights to transfer interests, exercise tag-along or drag-along rights, or trigger buy-sell mechanisms are often included to provide flexibility and protection.
- *Protection of minority* interests – Minority partners may negotiate veto rights, anti-dilution and other protections. See **6.7 Minority Protection and Control Rights**.

Obligations of JV Partners

Key obligations are as follows:

- Capital and resource contributions – Partners are generally obligated to make agreed capital contributions or provide other resources as specified in the JV agreement or by-laws. Mechanisms for additional funding or capital calls should be clearly defined. See **6.3 Funding**.
- Compliance with JV agreements and applicable law – Partners must comply with the terms of the JV agreement, by-laws, and all applicable laws and regulations.
- Confidentiality and non-compete – Partners are typically required to maintain confidentiality regarding JV information and may be subject to non-compete obligations during and after their participation in the JV.
- Liability for debts and obligations – In corporate JVs, shareholders' liability is generally limited to the amount of capital contributed, unless otherwise agreed or in cases of fraud or breach of fiduciary duty. In contractual JVs, liability is determined by the terms of the agreement and may be joint and several, or several only.

6.7 Minority Protection and Control Rights

In corporate JVs, minority rights will also depend on the type of legal entity formed or incorporated by the JV parties.

In Mexican corporations (SA), minority shareholders gain protective rights when they hold certain ownership stakes. Those owning 25% or more of the company can appoint board members or statutory auditors when the board has three or more members. They

can also pursue legal action against directors, delay voting on matters and challenge shareholder meeting decisions in court. Shareholders with at least 33% ownership can request convening shareholder meetings.

SAPIs provide more favourable terms for minority investors compared to regular corporations. SAPI shareholders enjoy expanded rights at reduced ownership levels. For instance, they can appoint board members or statutory auditors with 10% ownership, approve liability actions against directors with 15% ownership, and legally oppose shareholders' resolutions with 20% ownership.

Minority investors often request the following control rights, even when the law does not afford them the corresponding right:

- board representation and committee seats;
- reserved-matter vetoes (super-majority or unanimous consent) on sensitive matters such as changes to business scope, annual budget, major capex (capital expenditure) and external debt, among others;
- enhanced information access, beyond the General Business Companies baseline;
- anti-dilution protections; and
- exit rights tailored to minority needs, such as tag-along rights.

6.8 Applicable Law and Dispute Resolution in International JVs

When structuring an international JV with Mexican parties or assets, the choice of substantive and procedural law is a critical strategic decision.

In the case of corporate JVs, mandatory matters provided by applicable laws like the General Business Companies Law must be governed by such law, and cannot be derogated by contract, even if a shareholders' agreement or JV contract is governed by foreign law. Such is also the case of agreements governing real estate matters located in Mexico.

The Federal Civil Code's conflict of laws rule recognises the parties' autonomy to choose a foreign law for contractual obligations that are not caught by mandatory Mexican law, provided the choice does not contravene public policy. This enables parties to subject the shareholders' agreement, JV contract or related agreements to a neutral law that offers greater predictability.

Mexico is a party to the Hague Choice of Court Convention, allowing recognition of designated-court judgments; however, enforcement in Mexico will require an exequatur proceeding, so investors generally prefer arbitration as a faster process. Other international treaties signed by Mexico regarding international disputes include the New York Convention of 1958 and Panama Convention of 1975. Since the 2024 judicial reform introduced popularly elected judges and a new Supreme Court (in office since September 2025), this preference for arbitration has become more pronounced, as parties seek to avoid the unpredictability of a judiciary still building a track record.

If no dispute resolution clause is inserted, jurisdiction defaults to Mexican courts under Mexican procedural law, with venue determined by the defendant's domicile.

Mexico's legislation on alternative dispute resolution (ADR) mechanisms encourages mediation and conciliation, but there is no general obligation for commercial JV parties to try ADR before suing or arbitrating.

7. The JV Board

7.1 Board Structure

The structure of the board of directors in a corporate JV is a matter of negotiation between the parties and shall be included in the by-laws or partners' agreement. However, specific rules may apply depending on the entity type chosen by the partners:

- Corporation – Minority shareholders representing at least 25% of the capital stock have the right to appoint at least one director, when the board is comprised of three or more members.
- SAPI – Every individual shareholder or group of shareholders with voting rights (including limited or restricted voting rights) may appoint one director for every 10% of stock ownership.

- SAB and SAPIB – The board of directors should have a maximum of 21 members, of which at least 25% should be independent.
- Limited liability companies – Directors in limited liability companies are called managers. There are no specific rules or considerations applicable to the appointment of managers. If no managers are appointed, all the partners will participate in the management of the company.

Weighted voting in the board of directors is not recognised in Mexico.

7.2 Duties and Functions of JV Boards and Directors

In Mexico, the board of directors oversees the administration of the company. In general, the aim of the board of directors is to protect the interests of the company.

Therefore, the board of directors has fiduciary duties to the company; namely, loyalty and diligence duties in publicly listed companies.

Regardless of any competing duty that the director may have to the JV participant that appointed them, the director shall not act when there is a conflict of interest. See **7.3 Conflicts of Interest**.

Directors are joint obligors with the company in the following matters:

- the veracity of shareholders' or partners' contributions;
- compliance with legal and by-law requirements regarding profit sharing;
- existence and upkeep of accounting, record and information keeping as required by law;
- exact compliance with the resolutions of the partners' meetings; and
- maintenance of the legal reserve.

The company's by-laws may provide for the creation of committees to aid the board in its functions; however, the board's authority may not be delegated. Specific rules apply for the operation of the board in publicly listed companies.

Likewise, the appointment as a director is personal and may not be delegated or executed by proxy.

7.3 Conflicts of Interest

For corporate JVs, Mexican law requires board directors to disclose conflicts of interest and abstain from voting on affected matters, with personal liability for company damages if violated. This duty of loyalty applies to both private and publicly listed companies.

Directors must disclose potential conflicts upon appointment and abstain from voting on conflicted transactions. For public companies, conflicted directors cannot participate in discussions and must be absent during deliberations, without affecting board quorum requirements.

There are no statutory requirements for contractual JVs; however, conflict of interest is usually addressed in the transaction documents of the JV structure.

In Mexico, there are no restrictions in place on being a member of the board of directors of a corporate JV and also holding a director's position in a JV participant.

8. IP and ESG

8.1 Ownership and Use of IP

In any JV, the parties must carefully assess the intellectual property (IP) rights required for the project's success. The approach to managing these rights can differ between a corporate JV and a contractual JV.

In a corporate JV structure, the parties may opt to assign or license certain IP rights directly to the company. Conversely, in a contractual JV, the execution of a licence agreement is more common as it allows the original rights holder to maintain ownership while granting usage rights to the JV. See **8.2 Licensing v Assignment of IP Rights**.

A key factor in determining the IP strategy is the importance of using an established and reputable trade mark for the venture. Even when IP rights are not the most critical aspect of the project, it is standard practice for the parties to clearly outline the use of

their IP rights by the corporate JV or other JV members. This documentation typically clarifies that any authorised use does not constitute an assignment of rights.

8.2 Licensing v Assignment of IP Rights

The decision between licensing and assigning IP rights is influenced by various factors, including the nature of the project, the significance of those rights to the venture, the long-term vision of the parties, and any existing or prospective contractual arrangements with third parties.

IP rights assignment is more prevalent in corporate JVs, as the JV members retain influence over the use of such rights through their involvement in the company. Additionally, transaction documents for corporate JVs usually include mechanisms to prevent the unauthorised disposition of assets, including IP rights.

Licensing of IP rights is common in both corporate JV and contractual JV structures when the rights holder intends to continue using the IP or has licensed or plans to license the rights to other third parties. This approach allows the JV to use the IP as needed while maintaining the rights holder's ability to leverage these assets in other contexts.

By carefully considering and structuring the management of IP rights, JV partners can ensure that their intellectual assets are protected while still being effectively utilised to support the venture's objectives.

8.3 ESG Considerations in JVs

Mexico's ESG evolution accelerated with the December 2023 amendment to the Securities Market Law, empowering the Ministry of Finance to issue sustainability guidelines. This led to January 2025 amendments requiring securities issuers to prepare annual Sustainability Reports aligned with IFRS S1 and S2, an obligation now in effect: 2026 is the first mandatory reporting cycle, covering fiscal year 2025 data, with issuers permitted to limit initial disclosures to climate-related risks and forgo external assurance for this first cycle. Limited assurance will be required starting with the 2026 fiscal year report (filed in 2027), moving to reasonable assurance thereafter. Separately, the Mexican Financial Reporting Standards Council (CINIF) has issued Sustainability Reporting Standards (NIS) aligned with IFRS S1/S2; while these standards apply to entities preparing *Normas de Información Financiera* (NIF)-based financial statements, their mandatory scope for non-listed entities, including private JV vehicles, may depend on specific contractual, audit or investor requirements rather than a general regulatory mandate.

These changes create both compliance obligations and strategic opportunities for joint ventures, which must:

- embed ESG into contractual architecture through shareholders' agreements and by-laws;
- clearly allocate responsibility for permits, compliance and KPIs;
- implement periodic reporting aligned with investor and lender requirements; and
- anticipate convergence with EU and US disclosure regimes for cross-border ventures.

The Ministry of Finance's Sustainable Taxonomy, while non-binding, increasingly influences lenders and regulators. JV structures should embed ESG covenants in funding instruments while balancing flexibility with detailed metrics, ensuring credible commitment alongside adaptability to evolving standards.

9. Exit Strategies and Termination

9.1 Termination of a JV

The ways to terminate a JV, depending on whether it is a contractual JV or corporate JV, are mainly:

- corporate JV – dissolution of the vehicle or transfer of the parties' participation; and
- contractual JV – termination or assignments of rights and obligations of the agreement.

In any case, the main considerations should be liquidation of debt, distribution of profits, assets and losses, as well as tax consequences. It is also possible for a JV to be terminated with respect to only some of its parties, but the same considerations apply.

9.2 Asset Redistribution and Transfers

Transfer of assets between JV participants should be addressed in the shareholders' or partners' agreement or the corresponding contractual arrangement, taking special care to include the value or valuation procedure.

For purposes of transfers, Mexican law does not distinguish between assets originally contributed to the JV by a participant and assets originating from the JV's activities.

In practice, the most relevant consideration, in the first case, should be how to replace or continue the legal use of the assets in question if needed by the transferor: for example, by means of a lease or a licence in favour of the transferor or the JV, as applicable. In the second case, the most straightforward way is to set terms of any applicable transfer between JV participants in the JV documents.

9.3 Exit Strategy

In a contractual JV, an exit typically results in the termination of the agreement. For a corporate JV, planning for the parties' future separation usually requires designing provisions that address the valuation of each party's holding and the acquisition of shares or equity interests. These may include put-and-call options or drag-along and tag-along clauses.

Additional valuation and exit mechanisms may be necessary when assets are transferred to or acquired by the corporate JV.

There are no statutory exit provisions for contractual joint ventures. However, for a corporate JV, exits may be limited by the company's by-laws and applicable law, particularly when member approval is required to transfer ownership interests, as with limited liability companies.

Private share transfer is the most common exit mechanism for corporate JVs. Termination of the contract or assignment of rights and obligations is the typical exit mechanism in contractual JVs.

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