

ARGENTINA – CLIENT ALERT – NEW SECURITIES ACT

The Argentine Congress has approved a comprehensive reform of the Securities Act in Argentina, which will enter in force on May 20, 2018. This outline refers to some of the main changes:

A. FINANCING OF SMALL AND MID-SIZE COMPANIES.

All invoices issued by Small and Mid-Size Companies (as defined in the new Act) to large companies resident in Argentina (i) pursuant to the sale of assets or provision of services; (ii) for the incorporation of the assets or services in the business of the large company; and (iii) with a payment term exceeding 15 calendar days shall constitute an enforceable title which could be traded in exchange markets and electronic platforms.

Promissory Notes can also be issued with the ability of being traded in exchange markets.

The Act has also included new regulations for encouraging the securitization of mortgages.

B. REDUCED GOVERNMENTAL INTERVENTION IN EXCHANGE MARKETS.

The new Act has eliminated the discretionary powers of the Argentine Central Bank in the exchange markets and the discretionary powers of intervention of the Argentine Securities Exchange Commission in listed companies.

Additionally, the Argentine Securities Exchange Commission has been entrusted with regulating private offering of securities and crowdfunding structures.

Exchange Markets have more autonomy to regulate themselves.

Requirements for the participation of foreign corporate shareholders in shareholders' meetings of listed companies have been relaxed.

Any conflict between the Argentine Securities Exchange Commission and the listed companies shall now be submitted to the Commercial Courts instead of the Administrative Courts.

C. INVESTMENT FUNDS.

Regulation of Investment Funds has been updated in order to encourage them. The tax treatment of open-end and closed-end mutual funds has been equated, and the creation of non-listed closed-end mutual funds for accredited investors has been allowed, as well as exchange-traded funds.

D. BONDS (OBLIGACIONES NEGOCIABLES).

The regulation of negotiable bonds (obligaciones negociables) has been updated in order to allow collective action clauses. The procedure for issuance of negotiable bonds has been simplified. The issuance of junior negotiable bonds has been regulated.

The possible uses of proceeds which benefit from tax exemptions have been expanded.

The Act clarifies that in the case of negotiable bonds issued and payable in foreign currencies, the issuer shall not be able to select payment in local currency based on the Civil and Commercial Code provisions.

E. DERIVATIVES.

The Act regulates derivatives contracts and repos in order to provide protection to the parties vis a vis bankruptcy proceedings and excluding them from certain time limitations included in the Civil and Commercial Code.

F. TAX TREATMENT OF LISTED INVESTMENT FUNDS AND LISTED FINANCIAL TRUSTS

Listed closed-end investment funds and financial trusts shall only pay income tax for its non-argentine sourced investments and will be considered tax transparent in relation to its argentine sourced income. In the latter case, the investor shall pay the applicable tax.

In addition, special regulation has been set for these vehicles, when they invest on social housing and mortgage loans/securities if they fulfil certain requirements.

Please let us know if you need any further information or analysis in connection to the above.