

NEWS ALERT

January, 2016

To: Clients and Friends

Re: Change of Unit of Reference for the payment of governmental duties, fines, penalties and other topics | UMA

Historically, federal, state and local legal statutes in Mexico have provided that the applicable unit of reference for the calculation of various topics, including payment of governmental duties, fines, penalties, thresholds and indexes, is the general daily minimum wage (*salario mínimo general*, the "SMG"). In order to abandon this practice, on January 27, 2016, an amendment to Mexico's Political Constitution was published in the Official Gazette of the Federation, which became effective the next day, and consisted in the de-indexation of the SMG and creation of a new unit of reference applicable to all federal and state instances throughout Mexico.

As provided for in such amendment, the new reference unit for the calculation of such items is the Unit of Measure and Update (*Unidad de Medida y Actualización*, "UMA"). The Mexican Congress must issue, within 120 days following the publication of the amendment, the required legislation to establish the method for calculating and updating the UMA. In the meantime, the value of the UMA shall be calculated under the terms provided for in the publication of the constitutional amendment.

The initial value of the UMA was set to be equivalent to the SMG (currently at \$73.04 pesos). During a transition period, the SMG will continue to be used for certain matters.

It is important to keep in mind such constitutional amendment in the context of compliance of future obligations, as it will have an impact in many areas (*e.g.*, civil, criminal, tax, mining and economic competition).

From a contractual standpoint, public and private agreements in force at the time of the amendment that provide the use of the SMG as the applicable reference unit are not affected by the constitutional amendment. The parties to such agreements should analyze the convenience of replacing such unit with the UMA.

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