
Mexican “Shelter Company” Arrangements

by Jaime A. Treviño.

Starting to do business in a new country is not an easy endeavor. Legal incorporation, tax matters, human resources’ management, cultural differences and language are only some of the elements which play key roles in the success of any business start-up in a new country.

We believe that the proper and timely advice by professional Mexican legal counsel effectively aides companies in their start-up of operations in Mexico. Duly advised, foreign companies may negotiate and formalize tailor-made shelter or service arrangements, under which a Mexican expert service company may provide a Mexican “fronting” legal entity and the business advice required for a smooth business start-up, in most cases assuming responsibility over all administrative issues as well, including human resources, treasury management, and certain operational matters.

The variety of arrangements is unlimited. Through these type of agreements and the combination of a top-quality legal team working together with the experienced service provider, foreign companies may rely on an experienced multi-cultural staff and reduce the risks involved in the management of a business start-up operation in a new country. Consequently, the foreign company’s team may fully concentrate on its core business.

A foreign company may start to do business in Mexico even without incorporating a Mexican subsidiary, and not directly subject to a number of governmental approvals and regulatory matters. When properly structured, these arrangements allow for the foreign company to achieve full control over all legal aspects of the company and business after the expiration of a previously agreed-upon term, usually when the business is up and running, your local team is trained in the domestic business and familiar with the business culture.

Through the proper legal structure and the negotiation of a tailor-made service agreement, practically there is an open-end of possibilities. All combinations are possible.

The complex legal issues arising of a business start-up require the advice of a professional and sophisticated legal team. Foreign companies involved in these types of projects in Mexico are encouraged to contact Mexican legal counsel for these advice, usually working closely and in coordination with the company’s in-house counsel or advisors.

Some of the risks involved in a new business venture may be efficiently managed. Retaining an experienced law firm to deal with the start-up business risks and their negotiations is a very good start towards efficiently managing them.

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