

LAW N° 20,659: SIMPLIFIES THE STATUTE FOR INCORPORATING, AMENDING AND DISSOLVING COMMERCIAL COMPANIES

Last May 2nd, the new law N° 20,659 entered into force, also known as the “Express Companies Act”, which permits the incorporation of a company and its registration for a tax ID number in just one day. This new simplified system for the incorporation and modification of commercial companies is part of an important effort of the State of Chile to facilitate and make more cost-efficient the legal process necessary for the incorporation or modification of a commercial company, thus incentivizing the creation and development of new enterprises.

The objective of this new law is to establish a simplified system for the incorporation, amendment, transformation, merger, split, termination and liquidation of companies, applicable to the most commonly used types of legal entities (Individual Limited Liability Companies, Limited Liability Companies, Closed Stock Corporations, Reciprocal Guarantee Corporations, General Commercial Partnerships, Stock Companies, Silent Companies and Silent Corporations).

For such purposes, law N° 20,659 and its regulation create a system that stands as a quicker and more economic alternative to the current registration system. For example, the requirements of registration in the Commerce Registry and/or the publication in the Official Gazette are both replaced with the completion of a digital form and its addition to the Registry Companies and Corporations (the “Registry”), an act which shall be completely free, notwithstanding the costs of obtaining a digital signature, or of soliciting the services from a Notary to sign digitally on behalf of the user.

The Registry shall be administrated by the Ministry of Economy, Development and Tourism, and shall be on-line, public and free. In the Registry, any registered user may incorporate a company and carry out all other acts permitted by law N° 20,659, in accordance to the conditions set forth therein and in its regulation, through the

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completion of electronic forms with an advanced digital signature, whether the user's or a Notary's in the event the former does not have said type of signature. Furthermore, the Registry allows the incorporation of annexes or supplementary documents to said acts, such as powers of attorney, certificates and, in general, all types of public or official instruments.

For the time being, the new system shall only be available for limited liability companies, and a differed entry into force shall apply for the other types of legal entities. The last type of company to be included in the new system shall be closed stock corporations, as of July 1st, 2016. Publicly-traded corporations shall be excluded from this new system, and shall remain under the registration system of the Commerce Registry.

As is the case with every new system, the simplified statute must undergo improvements after the entry into force of law N° 20,659 and its regulation by the practices and experiences acquired by the administrator of the Registry, the courts, and the other organisms called upon to apply the new system. The foregoing will probably imply a future amendment to law N° 20,659 and its regulation, which shall in no case, however, tarnish the important modernization efforts achieved through the implementation of said system. A similar implementation, adaptation and perfecting process shall be required among the principal participants of the market (entrepreneurs, investors, lawyers, banks and public entities).

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