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Corporate finance activity in Guatemala

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This article consists of a brief introduction to the general aspects relating to corporate finance in Guatemala.

Local finance

Companies in Guatemala usually use the banking market to fund their operations. The banking market comprises local banks, branches of foreign banks and the representative offices of foreign banks.

The banking market has been subject to major legal change in recent years. Several pieces of legislation have been enacted to modernize this market. The most important of these laws is the Banking and Financial Groups Law. This law recognizes, among other things, financial conglomerates.

Short-term loans are usually unsecured and are formalized through promissory notes. Long-term loans are usually secured by a pledge or a mortgage. The use of trusts to hold security is not standard practice for small or even medium-sized company loans.

Leasing operations are particularly common because of their fiscal efficiencies. Factoring and asset securitizations have been introduced to the Guatemalan market and have been well-received, although at the moment they are often used that as a method of raising finance.

International finance

Foreign banks and financial institutions do not need to be authorized or registered in Guatemala to grant a loan or to participate as a lender in a Guatemalan financial project or transaction, regardless of whether the relevant agreements are governed by Guatemalan law. Practically any kind of finance or security structure can be implemented in Guatemala, or can be used to finance a Guatemalan company, without having to arrange prior authorization or registration.

Different financing structures have been implemented for the financing of companies or corporations in Guatemala, depending on the commercial needs and goals of the borrowers. Most recently, some financing structures from common law jurisdictions have been used in Guatemala, mainly syndicated loans for the project financing of public utility facilities in the electric sector (in other words, private power generation, transmission and distribution plants) and the telecommunications sector (for example, commercial networks telecom operators).



It is becoming more common to use local security and administrative trusts to serve and hold the collateral in favour of the lenders and to establish all the financing provisions by way of higher level overseas agreements that are subject to foreign law (usually, New York or English law). Dispute resolution, mediation, conciliation and arbitration (either local or international) are options that can be freely agreed among the parties in any financial transaction, with the exception of certain collateral enforcement procedures.

In addition, the Income Tax Law contains a specific exemption to the 10% withholding obligation on interest paid or deriving from financing (loans) given by banking or financial institutions duly registered as the same in their country of origin and domiciled abroad.

The securities market

In 1996, to highlight alternative methods of raising finance in the Guatemalan market and to increase the competitiveness and operation of the country's financial system, the Securities and Commodities Market Law (the Securities Law) was enacted. The Securities Law contains, among other things, the rules and prerequisites that need to be observed by entities or persons participating in the securities and commodities market. It also establishes what constitutes a public offering of securities or commodities and its implications.

Basically, an offer of securities or commodities is deemed to be public when it is directed to the general public through mass communication such as television, newspapers or radio, that is, any open and indiscriminate offer that is not directed to determined or specific individuals or companies (or a group of them), with the purpose of offering to the general public a financial/saving alternative.

If an offer is considered to be public, then the issuer has to register the offer in the Securities and Merchandise Market Registry, so all the investors can have access to the legal and financial information of the issuer and make a better decision on their financial investments. Incidentally, it is the public offer itself that is registered, not the issuer.

Although it has been some time now since enactment of the Securities Law, the Guatemalan securities and commodities market has not really grown that much. As a result there are still many interesting financial opportunities for companies as the market evolves.

Corporate and commercial

Recommended firms

Carrillo y Asociados

Mayora & Mayora

Rodríguez Archila Castellanos Solares & Aguilar

Bonilla Montano & Toriello

Quiñones Ibargüen & Luján

Arenales & Skinner-Klee

Beltranena de la Cerda y Chavez

Saravia y Muñoz

Viteri & Viteri

Carrillo y Asociados

Carrillo y Asociados is an excellent firm with some outstanding young lawyers. A full-service law firm, it is able to advise at both international and domestic levels, and benefits from the fine reputation enjoyed by respected attorney Alfonso Carillo.

Recently, the firm has acted for the Paez Group supermarket chain. Carrillo y Asociados is a member of several networks, such as the American Bar Association, the Inter-Pacific Bar Association, the International Trademark Association and the Interamerican Association of the Intellectual Property Bar Association.

Leading lawyer

Alfonso Carillo

Mayora & Mayora

Mayora & Mayora is a widely respected and traditional firm. In Eduardo Mayora Alvarado it has one of Guatemala's most respected attorneys, and he is described by one competitor as "an excellent, well-rounded professional". Mayora & Mayora has acted for an impressive list of clients on Guatemalan transactions, advising firms such as Ahold during its part-acquisition of Lafragua supermarkets, the largest supermarket chain in the country. It also advised on the financing of the new brewery El Rio, a project that finally ended the monopoly in beer production in Guatemala. The firm also counts Telgua Telecom as a corporate and commercial client.

Key contact partner

Eduardo Mayora Alvarado

Leading lawyer

Eduardo Mayora Alvarado

Rodríguez Archila Castellanos Solares & Aguilar

Also known as RACSA, Rodríguez Archila Castellanos Solares & Aguilar counts an impressive range of companies amongst its clients. These include Nissan Motor Co Ltd, General Electric Capital Corporation, Bank of America and Citibank. The firm's seven partners and 11 associates are based in offices in Guatemala City and advise on all aspects of corporate and commercial law. RACSA benefits from its membership of TAGlaw, the international legal network consisting of some 4600 lawyers in over 70 countries. The firm is also a member of the International Trademark Association, the International Bar Association and the American Chamber of Commerce.

RASCA is in the throes of advising on the San José power project refinancing, a \$120 million deal involving a syndicated loan for refinancing a power company. Partner Alfredo Rodríguez is singled out by peers and clients for his excellent work.

Key contact partners

Mario Archila
Alvaro Castellanos
Alfredo Rodríguez

Leading lawyer

Alfredo Rodríguez

Bonilla Montano & Toriello

Established in 1964, Bonilla Montano & Toriello is experienced in advising both international and domestic entities. With three partners and eight associates concentrating on corporate and commercial work, the firm counts amongst its clients such high-profile companies as Microsoft and McDonald's. Also on the client list are Duke Energy, Kimberly Clark and Burns Philip.

Bonilla Montano & Toriello is the Guatemalan member of the Club de Abogados, an organization founded in 1966 and consisting of law firms from around the world.

Key contact partners

Jorge Rolando Barrios
Saúl Guillermo Bonilla
Jorge Toriello

Quiñones Ibargüen & Luján

Recognized as a growing force in the domestic law market, Quiñones Ibargüen & Luján moves up a tier from last year's rankings due to some highly complimentary comments by clients and competitors. This firm is highly recommended by its peers, and many of its individuals are seen as strong for Guatemalan law advice. Especially recommended were José Quiñones and Marcos Ibargüen Segovia.

Key contact partner

Marcos Ibargüen Segovia

Leading lawyers

José Quiñones
Marcos Ibargüen Segovia

Saravia y Muñoz

Saravia y Muñoz is a small but popular firm that works on, among other matters, central American mutual funds, project finance and due diligence. Clients include the Bank of Central America, the First American National Bank, Michelin and Proctor & Gamble.

Key contact partner

Salvador Saravia-Castillo

Other notable firms

With three partners and three associates, **Beltranena de la Cerda y Chavez** is an up-and-coming firm that has recently raised eyebrows by snapping up some good clients in the corporate and commercial arena. Described by a competitor as "a very prestigious firm," **Viteri & Viteri** is a firm with a considerable reputation, while **Arenales & Skinner-Klee** also has a considerable corporate and commercial practice, seen by some as rivalling the capacity of those firms appearing in the third tier.