

SANTAMARINA Y STETA

Newly created *Certificados de Capital de Desarrollo* expected to support infrastructure projects through the Mexican capital markets

By: Sergio Chagoya Díaz
Santamarina y Steta

The newly created instruments called *certificados de capital de desarrollo* (development capital certificates or “CKDE’s”) are expected to support infrastructure projects through the Mexican capital markets.

CKDEs are designed to support a diversified investment scope in Mexico by participating in both existing companies as well as future projects. These instruments are divided in two types: type “A” aimed to participate in more than one company, and type “B” to participate in only one company, with a view to facilitate risk assessment and decision making.

These new instruments are regarded trust certificates (*certificados fiduciarios bursátiles*) allowing investment in specific housing, infrastructure, medium size companies, export projects and a rather wide scope of opportunities and productive projects.

The new regulation affords the possibility for institutional investors to participate in this type of instrument. For instance, Mexican pension funds (*administradoras de fondos para el retiro* or AFORES) are now allowed to invest in this type of projects through specialized mutual funds (*sociedades de inversión especializadas de fondos para el retiro* or SIEFORES).

This possibility is quite relevant if one considers that AFORES are the main investors in the Mexican market for peso-denominated bonds.

Since March 2008, the pension fund reform allowed AFORES to invest more heavily in corporate debt and equity, resulting in more capital available in Mexico; *however*, most of the system’s funds were allocated to Mexican sovereign issues, investing only in highly-rated issues leaving less room for lower-rate companies to obtain financing through this source.

The participation of these institutional investors in CKDEs should open investment opportunities for infrastructure projects that had previously less financing possibilities while adding support to the Mexican capital markets.

CKDEs are already starting to be operated in Mexico and its use expected to continue as one of President Calderón’s efforts towards launching infrastructure projects urgently needed by the Mexican economy.