

FACTORING AND DISCOUNT AGREEMENTS LAW

On January 16th, 2018 the Congress of the Republic approved Decree 1-2018, Factoring and Discount Agreements Law, which will be effective six months after it has been published in the official gazette.

Among other provisions, the Factoring and Discount Agreements Law:

1. Establishes that it is a requirement for the validity of the factoring and discount agreements, that the agreements are in writing, either by means of a public deed, a private document or in any form which preserves a record of the will of the parties, which includes accounting entries and electronic communications, except for that cases where the nature of the right which is the subject of the factoring/discount require a specific formality.
2. Regulates the obligation to notify the debtor of the right assigned, subject of the discount or factoring, including provisions that must be fulfilled in the notification.
3. Determines advertising requirements to third parties and the tax impact of the factoring and discount agreement.
4. Modifies provisions of the Code of Commerce applicable to the exchange invoice.
5. Modifies provisions of the law of Financial Companies, with respect to certain activities that can be carried out by the entities regulated by this law.
6. Abolishes the provisions of the Code of Commerce governing the discounting agreement.

For more information, do not hesitate to contact us.



LIGIA SALAZAR

Associate

ligia.salazar@ariaslaw.com