
Costa Rica

Financial Assistance

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INTRODUCTION

This guide sets out an overview of the regulation dealing with the concept of financial assistance in Costa Rica and its rules based on the Costa Rican Commercial Code and the Stock Market Law (the “**Costa Rican Law**”).

GENERAL OVERVIEW

- **Which are the origins of financial assistance in Costa Rican Law?**

Financial assistance in our opinion is an alternative commonly used or evaluated in markets in which the Stock Market plays a material role in the economy. Financial assistance is a very limited tool in markets characterized by the preeminence of closely-held companies. In Costa Rica the stock market, if any, is very limited.

The foregoing notwithstanding, in the case of both publicly traded and closely held companies, acquisition of shares is governed by Sections 27 and 129 of the Commercial Codes which expressly prohibits financial assistance.

- **What should be understood as financial assistance under Costa Rican Law?**

Financial assistance refers to the ability for any company to grant any kind of loan or credit agreement or an advanced payment, to any third party, in order for this third party to purchase the shares that said corporation is issuing or has already issued.

- **Does Costa Rican Law accept the financial assistance?**

The Costa Rican Commercial Code expressly prohibits companies of any type to provide financial assistance to third parties for the acquisition of the companies' own shares.

- **Is there any exception under Costa Rican Law as regards the general prohibition of providing financial assistance to third parties?**

No, the Costa Rican Commercial Code does not regulate any exceptions for companies to provide financial assistance to third parties when acquiring its shares.

- **Which are the consequences of providing financial assistance?**

The Commercial Code does not provide for an express consequence to the financial assistance. However based on the general corporate rules it might be concluded that the acquisition might be deemed to be null and void and the directors and representatives of the company might be liable to the shareholders for the damages caused as a consequence of such violation.