

## Reservations, Specific Commitments and Other Items

1. Section A of the Schedule of a Party sets out the reservations taken by that Party, pursuant to Article 1409(1) (Financial Services), with respect to existing measures that do not conform with obligations imposed by:

- (a) Article 1403 (Establishment of Financial Institutions) ;
- (b) Article 1404 (Cross-Border Trade) ;
- (c) Article 1405 (National Treatment) ;
- (d) Article 1406 (Most-Favored-Nation Treatment) ;
- (e) Article 1407 (New Financial Services and Data Processing) ; or
- (f) Article 1408 (Senior Management and Boards of Directors).

2. Each reservation in Section A sets out the following elements:

- (a) **Sector** refers to the general sector in which the reservation is taken;
- (b) **Sub-Sector** refers to the specific sector in which the reservation is taken;
- (c) **Industry Classification** refers, where applicable, to the activity covered by the reservation according to domestic industry classification codes;
- (d) **Type of Reservation** specifies the obligation referred to in paragraph 1 for which the reservation is taken;
- (e) **Level of Government** indicates the level of government maintaining the measure for which the reservation is taken;
- (f) **Measures** identifies the laws, regulations or other measures, as qualified by the **Description** element, for which the reservation is taken. A measure cited in the **Measures** element
  - (i) means the measure as amended, continued or renewed as of the date of entry into force of this Agreement, and
  - (ii) includes any subordinate measure adopted or maintained under the authority of and consistent with the measure;
- (g) **Description** sets out references, if any, for liberalization on the date of entry into force of this Agreement pursuant to other sections of a Party's Schedule to this Annex, and the remaining non-conforming aspects of the existing measures for which the reservation is taken; and
- (h) **Phase-Out** sets out commitments, if any, for liberalization after the date of entry into force of this Agreement.

3. In the interpretation of a reservation, all elements of the reservation shall be considered. A reservation shall be interpreted in the light of the relevant provisions of the Chapter against which the reservation is taken. To the extent that:

- (a) the **Phase-Out** element provides for the phasing out of the non-conforming aspects of measures, the **Phase-Out** element shall prevail over all other elements;
- (b) the **Measures** element is qualified by a specific reference in the **Description** element, the **Measures** element as so qualified shall prevail over all other elements; and
- (c) the **Measures** element is not so qualified, the **Measures** element shall prevail over all other elements, unless any discrepancy between the **Measures** element and the other elements considered in their totality is so substantial and material that it would be unreasonable to conclude that the **Measures** element should prevail, in which case the other elements shall prevail to the extent of that discrepancy.

4. Section B of the Schedule of a Party sets out reservations taken by the Party, pursuant to Article 1409(2), for measures the Party may adopt or maintain that do not conform with obligations imposed by Article 1403, 1404, 1405, 1406, 1407 or 1408.

5. Section C of the Schedule of a Party sets out the commitments to liberalize measures undertaken by that Party pursuant to Article 1409(3).

6. For purposes of this Annex:

**CMAF** means Clasificación Mexicana de Actividades y Productos (CMAF) numbers as set out in Instituto Nacional de Estadística, Geografía e Informática, *Clasificación Mexicana de Actividades y Productos*, 1988;

**CPC** means Central Product Classification (CPC) numbers as set out in Statistical Office of the United Nations, Statistical Papers, Series M, No. 77, *Provisional Central Product Classification*, 1991; and

**SIC** means:

(a) with respect to Canada, Standard Industrial Classification (SIC) number as set out in Statistics Canada, *Standard Industrial Classification*, fourth edition, 1980; and

(b) with respect to the United States, Standards Industrial Classification (SIC) numbers as set out in the United States Office of Management and Budget, *Standard Industrial Classification Manual*, 1987.

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## Schedule of Canada Section A

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Insurance
<b>Industrial Classification:</b>	
<b>Type of Reservation:</b>	Cross-Border Trade (Article 1404)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Insurance Companies Act</i> , S.C. 1991, c. 47 <i>Reinsurance (Canadian Companies) Regulations</i> , SOR/92-298 <i>Reinsurance (Foreign Companies) Regulations</i> , SOR/92-596
<b>Description:</b>	The purchase of reinsurance services by a Canadian insurer, other than a life insurer or a reinsurer, from a non-resident reinsurer is limited to no more than 25 percent of the risks undertaken by the insurer purchasing the reinsurance.
<b>Phase-Out:</b>	None

## Section B

1. Canada reserves the right to adopt any measure relating to cross-border trade in securities services that derogates from Article 1404(1) or, with respect to the United States, that derogates from Article 1406.

2. For purposes of restrictions that limit foreign ownership of Canadian-controlled financial institutions, and for purposes of restrictions on total domestic assets of foreign bank subsidiaries in Canada, Canada reserves the right to adopt or maintain measures that require an enterprise of another Party be controlled by one or more residents of the other Party in order to be entitled to the benefits of this Chapter. For these purposes:

- (a) an enterprise controlled by one or more residents of another Party means controlled, directly or indirectly, by such residents;
- (b) an enterprise that is a body corporate is controlled by one or more persons if
  - (i) securities of the enterprise to which are attached more than 50 percent of the votes that may be cast to elect directors of the enterprise are beneficially owned by the person or persons and the votes attached to those shares are sufficient, if exercised, to elect a majority of the directors of the enterprise, or
  - (ii) the person or persons has or have, directly or indirectly, control in fact of the enterprise;
- (c) an enterprise that is an unincorporated entity is controlled by one or more persons if
  - (i) more than 50 percent of ownership interests, however designated, into which the enterprise is divided is beneficially owned by the person or persons and the person or persons is or are able to direct the business and affairs of the enterprise, or
  - (ii) the person or persons has or have, directly or indirectly, control in fact of the enterprise;
- (d) a limited partnership is controlled by the general partner;
- (e) ordinarily resident in a country generally means sojourning in that country for a period of, or periods the aggregate of which is, 183 days or more during the relevant year; and
- (f) a person ordinarily resident in another Party means
  - (i) in the case of an enterprise, an enterprise legally constituted or organized under the laws of that Party and controlled, directly or indirectly, by one or more individuals of that Party described in clause (ii), and
  - (ii) in the case of an individual, an individual who is ordinarily resident in the territory of that Party.

## Section C

1. For purposes of restrictions that limit foreign ownership of Canadian-controlled financial institutions and for purposes of limitations on total domestic assets of foreign bank subsidiaries in Canada, Canada shall give to Mexico the same treatment that Canada gives under the *Bank Act*, the *Insurance Companies Act (Canada)*, the *Trust and Loan Companies Act (Canada)* and the *Investment Companies Act*, to United States residents and to institutions controlled by United States residents.

2. Canada shall exempt foreign bank subsidiaries in Canada controlled by Mexican residents from the requirement to obtain approval of the Minister of Finance prior to opening branches within Canada in the same manner as it exempts foreign bank subsidiaries in Canada controlled by United States residents.

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## Schedule of Mexico Section A

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Holding Companies (Sociedades Controladoras) Commercial Banks (Instituciones de Banca Múltiple)
<b>Industry Classification:</b>	Holding Companies (Not applicable) CMAP 811030 - Commercial Banks
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley para Regular las Agrupaciones Financieras , Artículo 18 Ley de Instituciones de Crédito, Artículos 11, 15</i>
<b>Description:</b>	Aggregate foreign investments in holding companies and in commercial banks are limited to 30 percent of common stock capital (" <i>capital ordinario</i> "). These percentage limits do not apply to investments in foreign financial affiliates as such term is defined in, and subject to terms and conditions under, Sections B and C of this Schedule.
<b>Phase-Out:</b>	None

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Securities Firms (Casas de Bolsa) Securities Specialists (Especialistas Bursátiles)

<b>Industry Classification:</b>	CMAP 812001 - Securities Firms Securities Specialists (Not Applicable)
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley del Mercado de Valores</i> , Artículo 17-II
<b>Description:</b>	Aggregate foreign investments in securities firms and securities specialists are limited to 30 percent of capital (" <i>capital social</i> ") and individual foreign investments are limited to 10 percent of capital, while individual investments by Mexicans may, with approval from the <i>Secretaría de Hacienda y Crédito Público</i> , rise to 15 percent of capital. These percentage limits do not apply to investments in foreign financial affiliates as such term is defined in, and subject to terms and conditions under, Sections B and C of this Schedule.
<b>Phase-Out:</b>	None

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<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	General Deposit Warehouses (Almacenes Generales de Depósito) Financial Leasing Companies (Arrendadoras Financieras) Financial Factoring Companies (Empresas de Factoraje Financiero)

	Bonding Companies (Instituciones de Fianzas)
<b>Industry Classification:</b>	CMAP 811042 - General Deposit Warehouses CMAP 811043 - Financial Leasing Companies Financial Factoring Companies (Not Applicable) CMAP 813001 - Bonding Companies
<b>Type of Reservation:</b>	Establishment of Financial Intitutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley General de Organizaciones y Actividades Auxiliares del Crédito</i> , Artículo 8-III-1 <i>Ley Federal de Instituciones de Fianzas</i> , Artículo 15- XIII
<b>Description:</b>	Aggregate foreign investments in general deposit warehouses, financial leasing companies, financial factoring companies and bonding companies must be less than 50 percent of paid-in capital (" <i>capital pagado</i> "). These percentage limits do not apply to investments in foreign financial affiliates as such term is defined in, and subject to terms and conditions under, Section B of this Schedule.
<b>Phase-Out:</b>	None

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Credit Unions (Uniones de Crédito) Financial Agents (Comisionistas Financieros)

	Foreign Exchange Firms (Casas de Cambio)
<b>Industry Classification:</b>	CMAP 811041 - Credit Unions Financial Agents (Not Applicable) CMAP 811044 - Foreign Exchange Firms
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley General de Organizaciones y Actividades Auxiliares del Crédito</i> , Artículos 8-III-1, 82-III <i>Ley de Instituciones de Crédito</i> , Artículo 92 <i>Reglas de la Secretaría de Hacienda y Crédito Público</i>
<b>Description:</b>	Foreign investments in credit unions, financial agents and foreign exchange firms are not allowed. This limitation does not apply to investments in foreign financial affiliates as such term is defined in, and subject to terms and conditions under, Section B of this Schedule.
<b>Phase-Out:</b>	None

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Development Banks (Bancos de Desarrollo)
<b>Industry Classification:</b>	CMAP 811021 - Development Banks
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403)

	National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley de Instituciones de Crédito</i> , Artículo 33
<b>Description:</b>	Foreign investments in development banks are not allowed.
<b>Phase-Out:</b>	None

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<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Insurance Companies (Instituciones de Seguros)
<b>Industry Classification:</b>	CMAP 813002 - Insurance Companies
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley General de Instituciones y Sociedades Mutualistas de Seguros</i> , Artículo 29-I
<b>Description:</b>	Aggregate foreign investments in insurance companies must be less than 50 percent of paid-in capital (" <i>capital pagado</i> "). This percentage limit does not apply to investments in foreign financial affiliates as such term is defined in Sections B and C of this Schedule, or in insurance companies, in both cases subject to terms and conditions under Sections B and C of this Schedule.



**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Holding Companies  
(Sociedades Controladoras)  
Securities Firms (Casas de Bolsa)  
Securities Specialists  
(Especialistas Bursátiles)  
General Deposit  
Warehouses (Almacenes Generales de Depósito)  
Financial Leasing  
Companies (Arrendadoras Financieras)  
Financial Factoring  
Companies (Empresas de Factoraje Financiero)  
Savings and Loan  
Companies (Sociedades de Ahorro y Préstamo)  
Managing Companies of Investment Companies  
(Sociedades Operadoras de Sociedades de Inversión)  
Investment Companies  
(Sociedades de Inversión)  
Bonding Companies  
(Instituciones de Fianzas)  
Insurance Companies  
(Instituciones de Seguros)

**Industry Classification:** Holding Companies (Not Applicable)  
CMAP 812001 - Securities Firms  
Securities Specialists (Not Applicable)  
CMAP 811042 - General Deposit Warehouses  
CMAP 811043 - Financial Leasing Companies  
Financial Factoring  
Companies (Not Applicable)  
Saving and Loans  
Companies (Not Applicable)  
CMAP 812003 - Managing Companies of Investment Companies  
CMAP 812002 - Investment Companies  
CMAP 813001 - Bonding Companies

CMAP 813002 - Insurance  
Companies

**Type of Reservation:** Establishment of Financial  
Institutions (Article 1403)  
National Treatment (Article  
1405)

**Level of Government:** Federal

**Measures:** *Ley para Regular las  
Agrupaciones Financieras ,  
Artículo 18  
Ley del Mercado de  
Valores , Artículo 17-II  
Ley General de  
Organizaciones y  
Actividades Auxiliares del  
Crédito , Artículos 8-III-1,  
38-G  
Ley de Sociedades de  
Inversión , Artículos 9-III,  
29-VI  
Ley Federal de Instituciones  
de Fianzas , Artículo 15-  
XIII  
Ley General de  
Instituciones y Sociedades  
Mutualistas de Seguros ,  
Artículo 29-I*

**Description:** Foreign governments and  
foreign state enterprises  
may not invest, directly or  
indirectly, in holding  
companies, securities firms,  
securities specialists,  
general deposit  
warehouses, financial  
leasing companies, financial  
factoring companies,  
savings and loan  
companies, managing  
companies of investment  
companies, investment  
companies, bonding  
companies or insurance  
companies.

**Phase-Out:** None

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**Sector:** Financial Services

<b>Sub-Sector:</b>	Commercial Banks (Instituciones de Banca Múltiple)
<b>Industry Classification:</b>	CMAP 811030 - Commercial Banks
<b>Type of Reservation:</b>	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley de Instituciones de Crédito</i> , Artículo 15
<b>Description:</b>	Foreign entities that exercise governmental functions may not invest, directly or indirectly, in commercial banks.
<b>Phase-Out:</b>	None

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<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Insurance
<b>Industry Classification:</b>	CMAP 813002 - Insurance
<b>Type of Reservation:</b>	Cross-Border Trade (Article 1404) National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Ley General de Instituciones y Sociedades Mutualistas de Seguros</i> , Artículo 3
<b>Description:</b>	Mexico reserves its existing prohibitions and restrictions on cross-border trade in insurance services, which do not now include restrictions on the right of individuals to purchase, by

physical mobility, life and health insurance. Mexico is not reserving its present restrictions with respect to the ability of residents of Mexico to purchase from cross-border insurance providers of another Party the following types of insurance:

(a) tourist insurance (including travel accident and motor vehicle insurance for non-resident tourists, but not insurance of risks of liability to third parties) for individuals, purchased without solicitation via physical mobility of such individuals;

(b)

(i) cargo insurance to and from each Party, purchased without solicitation, for goods in international transit from point of origin to final destination, and

(ii) insurance purchased without solicitation for a vehicle during the period of its use in transportation of cargo (other than insurance of risks of liabilities to third parties), provided such vehicle is licensed and registered outside Mexico (including vehicles in maritime shipping, commercial aviation, space launching and freight (including satellites) ); and

(c) intermediary services incidental to subparagraphs (a) and (b) purchased without solicitation.

For greater clarity, this

reservation does not apply to reinsurance.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking

**Industry Classification:** CMAP 811021 - Development Banks  
CMAP 811030 - Commercial Banks

**Type of Reservation:** Establishment of Financial Institutions (Article 1403)  
Cross-Border Trade (Article 1404)  
National Treatment (Article 1405)

**Level of Government:** Federal

**Measures:** *Ley Orgánica de Nacional Financiera*, Artículo 7  
*Ley Orgánica del Banco Nacional del Ejército, la Fuerza Aérea y la Armada*

**Description:** The following activities are reserved solely to Mexican development banks:

(a) acting as custodians of securities and cash funds deposited by or in the administrative or judiciary authorities, and acting as custodian of goods that have been seized according to Mexican measures; and

(b) managing the savings funds, retirement plans and any other funds or property of the personnel of the Secretaría de la Defensa Nacional, Secretaría de Marina and the Mexican armed forces, and performing other financial activities pertaining to the

financial resources of such personnel.

**Phase-Out:** None

## Section B

### Establishment and Operation of Financial Institutions

**Type of Reservation:** Establishment of Financial Institutions (Article 1403)  
National Treatment (Article 1405)

1. The provisions of paragraphs 2 through 10 of this Section shall apply during the transition period, except as otherwise specifically provided in paragraphs 9 and 10 of this Section.
2. For the types of financial institutions listed in the chart in this paragraph, the maximum capital to be authorized by Mexico for a foreign financial affiliate, measured as a percentage of the aggregate capital of all financial institutions of the same type in Mexico, shall not exceed the percentage set forth in the chart in this paragraph:

<u>Type of Financial Institution</u>	<u>Maximum Individual Capital to Be Authorized</u> (Percentage of the Aggregate Capital of All Institutions of the Same Type)
Commercial Banks	1.5%
Securities Firms	4.0%
Insurance Companies	
• Casualty	1.5%
• Life and Health	1.5%

In the case of an acquisition by an investor of another Party of a financial institution established in Mexico, the sum of the authorized capital of the acquired institution and the authorized capital of any foreign financial affiliate already controlled by the acquiror may not, at the time of acquisition or at any time thereafter during the transition period, exceed the applicable limit set forth in the chart in this paragraph.

This paragraph will not apply to new or existing Mexican insurance companies invested in by insurance investors of another Party (or their affiliates) pursuant to paragraph 7 of this Section or paragraph 4 of Section C of this Schedule.

3. For purposes of the proper administration of the capital limits in this Section, the following provisions shall apply:

(a) Each foreign financial affiliate shall have an authorized capital determined by Mexico, and the paid-in capital of such an institution shall not be less than that authorized at the time of approval of its establishment. After the time of establishment, Mexico may permit authorized capital to

exceed paid-in capital. Authorized capital shall not be reduced by any measure of Mexico (other than prudential measures) below paid-in capital. The maximum size of the operations of each foreign financial affiliate shall be determined, on a national treatment basis, as a function of the lesser of its capital or its authorized capital.

(b) Mexico reserves the right to impose limitations on transfers of assets or liabilities by foreign financial affiliates that have the effect of evading the capital limits set forth in this Schedule. This subparagraph does not apply to bona fide transfers of funds to make overnight deposits or bona fide transfers of banking liabilities.

4. No foreign financial affiliate may issue subordinated debentures, other than to the investor of another Party that owns and controls the affiliate.

5. The aggregate of the authorized capital of all foreign financial affiliates of the same type, measured as a percentage of the aggregate capital of all financial institutions of such type in Mexico, shall not exceed the percentage set forth in the chart in this paragraph for that type of institution, except for insurance companies as set out in paragraph 6 of this Section. Beginning one year after the date of entry into force of this Agreement, these initial limits shall increase annually in equal increments so as to reach the final limits specified in the chart in this paragraph at the beginning of the last year of the transition period:

<u>Type of Financial Institution</u>	<u>Percentage of Total Capital</u>	
	Initial Limit	Final Limit
Commercial banks	8%	15%
Securities firms	10%	20%
Factoring companies	10%	20%
Leasing companies	10%	20%

Any capital in existence as of the date of signature of this Agreement of a foreign bank branch established in Mexico prior to such date shall be excluded from each of the aggregate capital limits referred to in this Schedule.

6. The aggregate of the authorized capital of all foreign insurance affiliates, measured as a percentage of the aggregate capital of all insurance companies in Mexico, shall not exceed the percentage set forth in the chart in this paragraph for the respective one-year periods beginning on each of the following dates:

<u>Date</u>	<u>Percentage of Total Capital</u>
January 1, 1994	6%
January 1, 1995	8%
January 1, 1996	9%
January 1, 1997	10%
January 1, 1998	11%
January 1, 1999	12%

If the date of entry into force of this Agreement occurs on a date prior to January 1, 1994, that date shall become the initial date for purposes of this chart, and each succeeding anniversary of the date of entry into force of this Agreement shall become the next succeeding date in this chart, with the percentages listed in this chart applying to each of the respective periods as so adjusted. If the date of entry into force of this Agreement occurs on a date after January 1, 1994, the dates and corresponding limits in this chart shall not be changed.

The individual and aggregate capital limits described in paragraphs 2 and 6 of this Section shall be measured separately (through separate accounting) for life and non-life insurance operations, but both types of insurance operations may be conducted either by a single or separate foreign financial affiliates.

7. An insurance investor of another Party may elect an alternative procedure for investment in Mexico through phasing-in an equity interest in a new or existing Mexican insurance company, and thereby exempt such Mexican company from the capital limits in paragraphs 2 and 6 of this Section. In order to qualify, the percentage of the Mexican insurance company's common voting stock that is owned by Mexican persons must not be less than the levels set forth in the chart in this paragraph for the respective one-year periods beginning on each of the following dates:

<u>Date</u>	<u>Mexican Interest</u>
January 1, 1994	70%
January 1, 1995	65%
January 1, 1996	60%
January 1, 1997	55%
January 1, 1998	49%
January 1, 1999	25%

If the date of entry into force of this Agreement occurs on a date prior to January 1, 1994, that date shall become the initial date for purposes of this chart, and each succeeding anniversary of the date of entry into force of this Agreement shall become the next succeeding date in this chart, with the percentages listed in this chart applying to each of the respective periods as adjusted. If the date of entry into force of this Agreement occurs on a date after January 1, 1994, the dates and corresponding limits in this chart shall nonetheless not be changed.

On and after January 1, 2000 (or, if the date of entry into force of this Agreement occurs on a date prior to January 1, 1994, on and after the sixth anniversary of such date), the percentage requirement of Mexican ownership set forth in this paragraph shall no longer apply.

This paragraph is further modified by paragraph 4 of Section C of this Schedule to the extent set forth therein.

8. The aggregate assets of foreign financial affiliates that are limited scope financial institutions within the meaning of paragraph 2 of Section C of this Schedule shall not exceed three percent of the sum of:

(a) the aggregate assets of all commercial banks in Mexico; plus

(b) the aggregate assets of all types of limited scope financial institutions in Mexico.

Lending by affiliates of automobile manufacturing companies with respect to the manufacturers' vehicles shall not be subject to or taken into account in determining compliance with this three percent limit.

9. The limits in paragraphs 2, 5, 6 and 8 of this Section shall be removed at the end of the transition period. If the sum of the authorized capital of foreign financial affiliates, measured as a percentage of the aggregate capital of all financial institutions of such type in Mexico, reaches the percentage set forth in the chart in this paragraph for such type of institutions, then Mexico shall have the right, once during the



four years following the end of the transition period, to freeze such aggregate capital percentage at its then-existing level:

Commercial banks	25%
Securities firms	30%

If applied, such a restriction will have a duration not to exceed a period of three years.

10. Mexico may deny a license to establish a foreign financial affiliate during the transition period (and, in the case of paragraph 9 of this Section, during the additional periods described in that paragraph) if after such issuance the sum of the authorized capital of all foreign financial affiliates of the same type would exceed the applicable percentage limit for that type of institution in paragraph 5, 6, 8 or 9 of this Section.

11. The provisions of paragraphs 12 through 17 of this Section shall apply immediately upon the date of entry into force of this Agreement and at all times thereafter, except as otherwise specifically provided in such paragraphs. Any amendment or modification to a measure adopted or maintained pursuant to paragraphs 12 through 15 of this Section shall not decrease the conformity of the measure, as it existed immediately before such amendment or modification, with Articles 1403 through 1408.

12. Mexico may require that a foreign financial affiliate (other than a foreign insurance affiliate) be wholly-owned by an investor of another Party. Mexico may also restrict any foreign financial affiliate from establishing agencies, branches, or other direct or indirect subsidiaries in the territory of any other country.

13. Following the transition period, acquisition of a commercial bank established in Mexico, or of the assets or liabilities thereof, by an investor of another Party will only be authorized by Mexico, subject to reasonable prudential considerations on a case-by-case basis, if the sum of the capital of the acquired commercial bank and the capital of any foreign commercial bank affiliate already controlled by the acquiror would not exceed four percent of the aggregate capital of all commercial banks in Mexico.

14. Mexico may adopt measures that (a) limit eligibility to establish a foreign financial affiliate in Mexico to an investor of another Party that is, directly or through any of its affiliates, engaged in the same general type of financial services in the territory of the other Party; and (b) limit such investor (together with its affiliates) to no more than one institution of the same type in Mexico. In determining what types of operations an investor of another Party is engaged in for purposes of the preceding sentence, all types of insurance shall be considered to be only one type of financial service; but both life and non-life insurance operations may be conducted either by a single or separate foreign financial affiliates.

#### **Governmental Insurance Programs**

<b>Type of Reservation:</b>	Establishment of Financial Institutions (Articles 1403) Cross-Border Trade (Article 1404) National Treatment (Article 1405)
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15. The activities and operations of the existing Mexican governmental insurance programs conducted by *Aseguradora Mexicana, S.A.* or *Aseguradora Hidalgo, S.A.* (including insurance for government employees, agencies, instrumentalities and public entities) are excluded from Articles 1403, 1404 and 1405 for so long as such firm is controlled by the Government of Mexico and for a commercially reasonable time after such governmental control ceases.

#### **Cross-Border Trade**

<b>Type of Reservation:</b>	Cross-Border Trade (Article 1404)
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16. In order to avoid impairment of the conduct of Mexico's monetary and exchange rate policies, cross-border financial service providers of another Party shall not be permitted to provide financial services into the territory of Mexico or to residents of Mexico, and residents of Mexico may not purchase financial services from cross-border financial service providers of another Party, if such transactions are denominated in Mexican pesos.

### **Existing Operations of Foreign Commercial Banks**

#### **Type of Reservation:**

Establishment of Financial Institutions (Article 1403)  
National Treatment (Article 1405)  
Most-Favored-Nation Treatment (Article 1406)  
New Financial Services and Data Processing (Article 1407)  
Senior Management and Boards of Directors (Article 1408)

17. The benefits of this Agreement shall not be extended to a foreign bank branch existing in Mexico on the date of entry into force of this Agreement. The existing legal regime will continue to apply to such a branch for so long as it operates in that form. Such a branch shall be permitted to convert to a subsidiary pursuant to the terms of this Schedule, and on conversion shall be covered by this Agreement. In the event of conversion the existing capital of such branch on the date of signature of this Agreement shall not be counted against such foreign commercial bank affiliate's individual capital limit, or the aggregate capital limits for commercial banks.

## **Section C**

### **Specific Commitments**

1. Mexico shall retain discretion to approve, on a case-by-case basis, any affiliation of a commercial bank or securities firm with a commercial or industrial corporation that is established in Mexico, if Mexico determines that such affiliation is harmless and, in the case of banking, either (a) not substantial, or (b) the financial-related activities of the commercial or industrial corporation account for at least 90 percent of its annual income worldwide, and the non-financial activities of such commercial or industrial corporation are of a type that Mexico determines to be acceptable. Affiliation with a non-resident commercial or industrial corporation that is not established in Mexico will not be a reason for denial of an application to establish or acquire a commercial bank or securities firm in Mexico.

2. Non-bank investors of another Party shall be permitted to establish one or more limited scope financial institutions in Mexico to provide separately consumer lending, commercial lending, mortgage lending or credit card services on terms no less favorable than those applied to like domestic firms under Mexican measures. Mexico may permit lending services closely related to the principal authorized business of a limited scope financial institution to be carried out by that institution. Such institutions shall be provided the opportunity to raise funds in the securities market for business operations subject to normal terms and conditions. Mexico may restrict such limited scope financial institutions from taking deposits.

3. Within two years of the date of entry into force of this Agreement, Mexico shall conduct a study of the desirability of and, if desirable, the possible methods of establishing limited scope securities firms which would have more limited powers than current securities firms. Such limited scope securities firms would be subject to differing capital requirements, depending on the type and extent of business conducted, that would permit lower minimum capital requirements than those currently applicable to Mexican securities firms. The basis of the study will be prudential considerations and opportunities for investment in the securities sector. As part of the second annual meeting of the Committee required under Article

1412, Mexico shall report to the other Parties on the outcome of the study, including any plans for the establishment of new categories of securities firms.

4. Notwithstanding paragraph 7 of Section B of this Schedule, an insurance investor of another Party that together with its affiliates had as of July 1, 1992 an active investment or ownership interest of 10 percent or more in a Mexican insurance company that was specifically approved by Mexico, may: (a) exercise any contract right or option in existence as of July 1, 1992 with respect to ownership interests in such Mexican insurance company; and (b) effective the earlier of January 1, 1996 or two years following the date of entry into force of this Agreement, acquire a controlling interest of up to 100 percent in such Mexican insurance company. Before the effective date described in clause (b) of the preceding sentence, an insurance investor of another Party (together with its affiliates) described in that sentence may exercise any existing contract right or option described in clause (a) of that sentence, and choose to expand its interest in such Mexican insurance company to the extent consistent with paragraph 7 of Section B of this Schedule, or maintain its existing interest. Mexico shall maintain discretion to permit acceleration of the schedule for equity participation in a Mexican insurance company by an insurance investor of another Party described in the first sentence of this paragraph.

5. An investor of another Party that in accordance with Section B is authorized to establish or acquire, and establishes or acquires, a commercial bank or securities firm in Mexico may also establish a financial holding company in Mexico, and thereby establish or acquire other types of financial institutions in Mexico, under the terms of Mexican measures.

6. Mexico shall administer its licensing and approval procedures during the transition period in a manner that does not deny the benefits of the liberalization of existing measures described in its Schedule to enterprises of another Party that are ultimately controlled by nationals of that Party.

## Definitions

For purposes of Sections B and C of this Schedule:

**capital** means the following, as defined in Mexican measures, applied on a national treatment basis:

<u>Type of Financial Institution</u>	<u>Concept of "Capital"</u>
commercial banks	<i>capital neto</i>
securities firms	<i>capital global</i>
insurance companies	
• casualty	<i>requerimiento bruto de solvencia</i> (allocation to casualty insurance)
• life and health	<i>requerimiento bruto de solvencia</i> (allocation to life and health insurance)
factoring companies	<i>capital contable</i>
leasing companies	<i>capital contable ;</i>

**investor of another Party** means an investor of another Party as defined in Article 1403(5) ;

**foreign commercial bank affiliate** means a foreign financial affiliate that is a commercial bank;

**foreign financial affiliate** means a financial institution established in Mexico and owned and controlled by an investor of another Party;

**foreign insurance affiliate** means a foreign financial affiliate that is an insurance company;

**insurance investor of another Party** means an investor of another Party that is an insurance company; and

**transition period** means the period beginning with the date of entry into force of this Agreement and ending on the earlier of January 1, 2000, or six years from the date of entry into force of this Agreement.

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## Schedule of the United States Section A

<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking
<b>Industry Classification:</b>	SIC 6021 - National Commercial Banks
<b>Type of Reservation:</b>	Senior Management and Boards of Directors (Article 1408)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>The National Bank Act</i> , 12 U.S.C. § 72
<b>Description:</b>	<p>All directors of a national bank must be citizens of the United States. Because the president of a national bank must be a director, the president of a national bank must be a citizen of the United States. An exception exists for a national bank affiliated with or owned by a foreign bank. Such a bank need only have U.S. citizens constitute a simple majority of the board and thus need not employ a U.S. citizen as its president.</p> <p>Two-thirds of the directors of a national bank must (a) have resided for one year prior to their election, and (b) continue to reside, in</p>

the state in which the bank is located or within 100 miles of the bank.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking

**Industry Classification:** SIC 6021 - National Commercial Banks  
SIC 6022 - State Commercial Banks  
SIC 6029 - Other Commercial Banks  
SIC 6081 - Branches and Agencies of Foreign Banks  
SIC 6712 - Bank Holding Companies  
Foreign Banks (Not Applicable)

**Type of Reservation:** National Treatment (Article 1405)

**Level of Government:** Federal

**Measures:** *Bank Holding Company Act of 1956*, 12 U.S.C. § 1842(d)  
  
*International Banking Act of 1978*, 12 U.S.C. § 3103(a) (5)

**Description:** Federal authorities may not approve the establishment of, or acquisition of an interest in, a bank subsidiary within a state ("the target state") by a foreign bank that has a full-service branch in the United States, unless the measures of the target state expressly permit such an establishment or acquisition by domestic bank holding companies with their principal place of banking operations (as that

term is described under the *Bank Holding Company Act* ) in the foreign bank's "home state" (as that term is defined in the *International Banking Act* ).

Federal authorities also may not approve the establishment of, or acquisition of an interest in, a bank subsidiary within a state ("the target state") by a bank holding company, including a foreign bank, that maintains its principal place of banking operations in another state, as defined under the *Bank Holding Company Act* , unless the measures of the target state expressly permit the establishment and acquisition by bank holding companies from the state of the company's or bank's principal place of banking operations.

Due to these Federal measures and certain state measures, foreign banks with direct deposit-taking branches or bank subsidiaries in the United States are not permitted to establish or acquire interests in banks located in some states on the same basis as domestic bank holding companies from the state of the foreign bank's principal place of banking operations or the foreign bank's home state. The following types of measures, among others, fall into this category:

(a) foreign banks are expressly excluded from the authority to own banks under certain regional holding company laws;

(b) foreign banks are implicitly excluded from the definition of an eligible owner under certain state laws that require a majority

of a banking company's deposits to be in the United States, in a particular region of the United States or in a particular state;

(c) foreign banks that do not already own a banking subsidiary in the United States are interpreted as not qualifying as an eligible "bank holding company" entitled to own a bank in the United States; and

(d) where a foreign bank's principal place of business is in a state which is different from its home state and the measures of the target state accord better treatment to bank holding companies from one of these states, the foreign bank will be subject to the more restrictive rule.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking

**Industry Classification:** SIC 6082 - Foreign Trade and International Banking Institutions

**Type of Reservation:** National Treatment (Article 1405)

**Level of Government:** Federal

**Measures:** *Federal Reserve Act* , 12 U.S.C. § 619

**Description:** Edge corporations (specialized international banking companies chartered under Federal law) may be owned by domestically-owned banks and bank holding

companies, and by domestic non-bank companies willing to restrict their business activities to those closely related to banking. Foreign ownership of Edge corporations is limited to foreign banks and U.S. subsidiaries of foreign banks. Other foreign persons may not directly or indirectly own Edge corporations.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking

**Industry Classification:** SIC 6081 - Branches of Foreign Banks

**Type of Reservation:** National Treatment (Article 1405)

**Level of Government:** Federal

**Measures:** *International Banking Act of 1978* , 12 U.S.C. §3104(c)

**Description:** In order to accept or maintain domestic retail deposit accounts having balances of less than \$100,000, a foreign bank must establish an insured banking subsidiary. This prohibition does not apply to a foreign bank branch that was engaged in insured deposit-taking activities on December 19, 1991.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking

**Industry Classification:** SIC 6081 - Branches and Agencies of Foreign Banks

**Type of Reservation:** National Treatment (Article 1405)

**Level of Government:** Federal

**Measures:** *Federal Reserve Act* , 12 U.S.C. §§ 221, 302, 321

**Description:** Foreign banks with branches or agencies in the United States may not be members of the Federal Reserve System, and thus may not vote for directors of a Federal Reserve Bank.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking and Securities

**Industry Classification:** SIC 6021 - National Commercial Banks  
SIC 6022 - State Commercial Banks  
SIC 6029 - Other Commercial Banks  
SIC 6081 - Branches and Agencies of Foreign Banks  
SIC 6211 - Security Brokers, Dealers and Flotation Companies

**Type of Reservation:** National Treatment (Article 1405)  
Most-Favored-Nation Treatment (Article 1406)

**Level of Government:** Federal

**Measures:** The *Primary Dealers Act of 1988* , 22 U.S.C. §§ 5341-5342

**Description:** The *Primary Dealers Act of 1988* prohibits a foreign firm from being designated as a primary dealer in U.S. government debt obligations unless the home country of the foreign firm accords to U.S. firms the same competitive opportunities as are accorded to domestic firms in the underwriting and distribution of government debt instruments in the firm's home country.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking and Securities

**Industry Classification:** SIC 6289 - Services Allied with the Exchange of Securities or Commodities

**Type of Reservation:** Cross-Border Trade (Article 1404)  
National Treatment (Article 1405)  
Most-Favored-Nation Treatment (Article 1406)  
Senior Management and Boards of Directors (Article 1408)

**Level of Government:** Federal

**Measures:** *Trust Indenture Act of 1939* , 15 U.S.C. § 77jjj(a)(1)

**Description:** Under the *Trust Indenture Act of 1939* , a foreign firm located outside the United States may be prohibited from acting as the sole

trustee under an indenture for debt securities sold in the United States if U.S. institutional trustees cannot act as sole trustees for securities sold in the foreign firm's home country.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Banking and Securities

**Industry Classification:** SIC 6211 - Security Brokers, Dealers and Flotation Companies

**Type of Reservation:** Most-Favored-Nation Treatment (Article 1406)

**Level of Government:** Federal

**Measures:** *Securities Exchange Act of 1934* , 15 U.S.C. § 78o(c)  
17 C.F.R. § 240.15c3-3

**Description:** A broker-dealer that maintains its principal place of business in Canada may maintain its required reserves at a bank in Canada subject to supervision by an authority of Canada. A broker-dealer that maintains its principal place of business in any other foreign country must maintain reserves in the United States.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Commodity Futures and Options

**Industry Classification:** SIC 6221 - Commodity Contracts Broker and Dealers  
SIC 6231- Commodity Exchanges  
SIC 6282 - Investment Advice  
SIC 6289 - Services Allied with the Exchange of Commodities

**Type of Reservation:** Cross-Border Trade (Article 1404)  
New Financial Services and Data Processing (Article 1407)

**Level of Government:** Federal

**Measures:** *Commodity Exchange Act* , 7 U.S.C. §§ 2, 13-1

**Description:** Federal law prohibits the offer or sale of futures contracts on onions, options contracts on onions and options on futures contracts on onions in the United States and services related thereto.

**Phase-Out:** None

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**Sector:** Financial Services

**Sub-Sector:** Insurance

**Industry Classification:** SIC 6351 - Surety Insurance

**Type of Reservation:** Cross-Border Trade (Article 1404)  
National Treatment (Article 1405)

<b>Level of Government:</b>	Federal
<b>Measures:</b>	31 U.S.C. § 9304
<b>Description:</b>	Branches of foreign insurance companies are not permitted to provide surety bonds for U.S. Government contracts.
<b>Phase-Out:</b>	None

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<b>Sector:</b>	Financial Services
<b>Sub-Sector:</b>	Banking and Securities
<b>Industry Classification:</b>	SIC 6081- Branches and Agencies of Foreign Banks SIC 6282 - Investment Advice
<b>Type of Reservation:</b>	National Treatment (Article 1405)
<b>Level of Government:</b>	Federal
<b>Measures:</b>	<i>Investment Advisers Act of 1940</i> , 15 U.S.C. §§ 80b-2, 80b-3
<b>Description:</b>	Foreign banks are required to register as investment advisers under the <i>Investment Advisers Act of 1940</i> to engage in securities advisory services in the United States, while domestic banks are exempt from registration.
<b>Phase-Out:</b>	None

## Section B

With respect to Canada, the United States reserves the right to adopt any measure relating to cross-border trade in securities services that derogates from Article 1404(1) or 1406.

## Section C

The United States commits to permit an eligible *grupo financiero* that, in formation of the *grupo* in Mexico before the date of entry into force of this Agreement, lawfully acquires an eligible Mexican bank and a Mexican securities firm which owns or controls a securities company in the United States, to continue to engage through the U.S. securities company in the activities in which that securities company was engaged on the date of acquisition by the *grupo* for a time period of five years from the date of that acquisition. The U.S. securities company:

(a) shall not be permitted to expand through acquisition in the United States during such period;  
and

(b) shall be subject to measures consistent with national treatment that restrict transactions between the company and its affiliates.

For purposes of this Section: an "eligible *grupo financiero* " is a Mexican financial group that has not previously benefitted from this commitment; and an "eligible Mexican bank" means any Mexican *institución de crédito* that owned or controlled a subsidiary bank, or operated a branch or agency, in the United States on January 1, 1992.