

Annex VII
Schedule of Mexico
Section A

Sector:	Financial Services
Sub-Sector:	Holding Companies (Sociedades Controladoras) Commercial Banks (Instituciones de Banca Múltiple)
Industry Classification:	Holding Companies (Not applicable) CMAP 811030 Commercial Banks
Type of Reservation:	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
Level of Government:	Federal
Measures:	<i>Ley para Regular las Agrupaciones Financieras</i> , Artículo 18 <i>Ley de Instituciones de Crédito</i> , Artículos 11, 15
Description:	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.
Phase-Out:	None

Sector:	Financial Services
Sub-Sector:	General Deposit Warehouses (Almacenes Generales de Depósito) Financial Leasing Companies (Arrendadoras Financieras) Financial Factoring Companies (Empresas de Factoraje Financiero) Bonding Companies (Instituciones de Fianzas)
Industry Classification:	CMAP 811042 General Deposit Warehouses CMAP 811043 Financial Leasing Companies Financial Factoring Companies (Not Applicable) CMAP 813001 Bonding Companies
Type of Reservation:	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
Level of Government:	Federal
Measures:	<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
Description:	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.
Phase-Out:	None

Sector:	Financial Services
Sub-Sector:	Credit Unions (Uniones de Crédito) Financial Agents (Comisionistas Financieros) Foreign Exchange Firms (Casas de Cambio)

Industry Classification:	CMAP 811041	Credit Unions Financial Agents (Not Applicable)
	CMAP 811044	Foreign Exchange Firms
Type of Reservation:	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)	
Level of Government:	Federal	
Measures:	<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> 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.	
Description:		
Phase-Out:	None	
Sector:	Financial Services	
Sub-Sector:	Development Banks (Bancos de Desarrollo)	
Industry Classification:	CMAP 811021	Development Banks
Type of Reservation:	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)	
Level of Government:	Federal	
Measures:	<i>Ley de Instituciones de Crédito</i> , Artículo 33	

Description: Foreign investments in development banks are not allowed.

Phase-Out: None

Sector:	Financial Services
Sub-Sector:	Insurance Companies (Instituciones de Seguros)
Industry Classification:	CMAP 813002 Insurance Companies
Type of Reservation:	Establishment of Financial Institutions (Article 1403) National Treatment (Article 1405)
Level of Government:	Federal
Measures:	<i>Ley General de Instituciones y Sociedades Mutualistas de Seguros</i> , Artículo 29-I
Description:	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

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:	<table><tr><td></td><td>Holding Companies (Not Applicable)</td></tr><tr><td>CMAP 812001</td><td>Securities Firms Securities Specialists (Not Applicable)</td></tr><tr><td>CMAP 811042</td><td>General Deposit Warehouses</td></tr><tr><td>CMAP 811043</td><td>Financial Leasing Companies Financial Factoring Companies (Not Applicable) Saving and Loans Companies (Not Applicable)</td></tr><tr><td>CMAP 812003</td><td>Managing Companies of Investment Companies</td></tr><tr><td>CMAP 812002</td><td>Investment Companies</td></tr><tr><td>CMAP 813001</td><td>Bonding Companies</td></tr><tr><td>CMAP 813002</td><td>Insurance Companies</td></tr></table>		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
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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:	<i>Ley para Regular las Agrupaciones Financieras</i> , Artículo 18 <i>Ley del Mercado de Valores</i> , Artículo 17-II VII-M-7																

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

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

Sector:	Financial Services
Sub-Sector:	Insurance
Industry Classification:	CMAP 813002 Insurance
Type of Reservation:	Cross-Border Trade (Article 1404) National Treatment (Article 1405)
Level of Government:	Federal
Measures:	<i>Ley General de Instituciones y Sociedades Mutualistas de Seguros, Artículo 3</i>
Description:	<p>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:</p> <ul style="list-style-type: none">(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) <ul style="list-style-type: none">(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

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:	<i>Ley Orgánica de Nacional Financiera, Artículo 7</i> <i>Ley Orgánica del Banco Nacional del Ejército, la Fuerza Aérea y la Armada</i>
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 (Percentage of the Aggregate Capital of All Institutions of the Same Type)</u>
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>	
	<u>Initial Limit</u>	<u>Final Limit</u>
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

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

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

Type of Reservation: Cross-Border Trade (Article 1404)

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 (allocation to casualty insurance)</i>
life and health	<i>requerimiento bruto de solvencia (allocation to life and health insurance)</i>
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.