

Annex VII
Schedule of the United States
Section A

Sector:	Financial Services
Sub-Sector:	Banking
Industry Classification:	SIC 6021 National Commercial Banks
Type of Reservation:	Senior Management and Boards of Directors (Article 1408)
Level of Government:	Federal
Measures:	<i>The National Bank Act</i> , 12 U.S.C. § 72
Description:	<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 the state in which the bank is located or within 100 miles of the bank.</p>
Phase-Out:	None

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:	<i>Bank Holding Company Act of 1956</i> , 12 U.S.C. § 1842(d) <i>International Banking Act of 1978</i> , 12 U.S.C. § 3103(a)(5)
Description:	<p>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 <i>Bank Holding Company Act</i>) in the foreign bank's "home state" (as that term is defined in the <i>International Banking Act</i>).</p> <p>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 <i>Bank Holding Company Act</i>, 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.</p> <p>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</p>

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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

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:	<i>Federal Reserve Act</i> , 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

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:	<i>International Banking Act of 1978</i> , 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

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:	<i>Federal Reserve Act</i> , 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

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 <i>Primary Dealers Act of 1988</i> , 22 U.S.C. §§ 5341-5342
Description:	The <i>Primary Dealers Act of 1988</i> 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

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:	<i>Trust Indenture Act of 1939</i> , 15 U.S.C. § 77jjj(a)(1)
Description:	Under the <i>Trust Indenture Act of 1939</i> , 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

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:	<i>Securities Exchange Act of 1934</i> , 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

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:	<i>Commodity Exchange Act</i> , 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

Sector:	Financial Services
Sub-Sector:	Insurance
Industry Classification:	SIC 6351 Surety Insurance
Type of Reservation:	Cross-Border Trade (Article 1404) National Treatment (Article 1405)
Level of Government:	Federal
Measures:	31 U.S.C. § 9304
Description:	Branches of foreign insurance companies are not permitted to provide surety bonds for U.S. Government contracts.
Phase-Out:	None

Sector:	Financial Services
Sub-Sector:	Banking and Securities
Industry Classification:	SIC 6081 Branches and Agencies of Foreign Banks SIC 6282 Investment Advice
Type of Reservation:	National Treatment (Article 1405)
Level of Government:	Federal
Measures:	<i>Investment Advisers Act of 1940</i> , 15 U.S.C. §§ 80b-2, 80b-3
Description:	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.
Phase-Out:	None

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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.

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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.