

- (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 the Schedule of Mexico. 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 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