



Legal Glossary of Foreign Investment

Activities with specific regulations: Those in which foreign investment is subject to the following participation limits:

- I.- Up to 10%:
 - a) cooperative companies for production.
- II.- Up to 49%:
 - a) Manufacture and commercialization of explosives, firearms, cartridges, ammunitions and fireworks, not including acquisition and use of explosives for industrial and extraction activities, nor the preparation of explosive compounds for use in said activities;
 - b) Printing and publication of newspapers for circulation solely throughout Mexico;
 - c) Series "T" shares in companies owning agricultural, ranching, and forestry land;
 - d) Fresh water, coastal, and exclusive economic zone fishing not including fisheries;
 - e) Integral port administration;
 - f) Port pilot services for inland navigation under the terms of the Law governing the matter;
 - g) Shipping companies engaged in the commercial exploitation of ships for inland and coastal navigation, excluding tourist cruises and the exploitation of marine dredges and devices for port construction, conservation and operation;
 - h) Supply of fuel and lubricants for ships, airplanes, and railway equipment;
 - i) Broadcasting. This maximum foreign investment will be subject to the reciprocity that exists in the country of constitution of the investor or the economic agent who exercise control, in the last instance, directly or indirectly.
 - j) Scheduled and nonscheduled domestic air transportation service; nonscheduled international air transportation service in air taxi modality; and specialized air transportation service.

Activities with specific regulations, are also those for which a favorable resolution of the Foreign Investment National Commission is required for foreign investment to participate in a percentage higher than 49%, being the following activities:

- a) Port services in order to allow ships to conduct inland navigation operation, such as towing, mooring and barging;
- b) Shipping companies engaged in the exploitation of ships solely for high-seas traffic;
- c) Concessionaire or permit holders companies of air fields for public service;
- d) Private education services of pre-school, elementary, middle school, high school, college or any combination;
- e) Legal services; and
- f) Construction, operation and exploitation of general railways, and public services of railway transportation.

Reserved activities: Those in which the foreign investment cannot participate, because they are reserved for the State or to Mexicans and Mexican legal entities with foreigners' exclusion clause.

The activities reserved to the State are:

- a) Exploration and extraction of oil and other hydrocarbons, as provided by Articles 27, seventh paragraph, and 28, fourth paragraph, of the Political Constitution of the United Mexican States and the respective secondary Law;
- b) Planning and control of the national electric system, as well as the public services of transmission and distribution of electricity, as provided by Articles 27, paragraph sixth, and 28, paragraph fourth, of the Political Constitution of the United Mexican States and the respective secondary Law;



- c) Generation of nuclear energy;
- d) Radioactive minerals;
- e) Telegraphs;
- f) Radiotelegraphy;
- g) Postal service;
- h) Issuance of bank notes;
- i) Minting of coins;
- j) Control, supervision and surveillance of ports, airports and heliports; and
- k) Others as expressly provided by applicable legal provisions.

The activities reserved for Mexicans or Mexican legal entities with foreigners' exclusion clause are:

- a) Domestic land transportation for passengers, tourism and freight, not including messenger and courier services;
- b) Development banking institutions, under the terms of the law governing the matter; and,
- c) Rendering of professional and technical services set forth expressly by applicable legal provisions.

Foreigners' Exclusion Clause: An express agreement or covenant forming an integral part of the corporate by-laws of Mexican companies, setting forth that such corporations shall not admit, directly or indirectly, foreign investors or corporations with foreigners' admission clause, as partners or stockholders.

Foreign Investment National Commission: Cross-ministry are composed by the heads of the Secretariats of Interior, Foreign Affairs; Finance and Public Credit; Wellness; Environment, Natural Resources and Fishery; Energy; Economy; Communications and Transportation; Labor and Social Welfare; and Tourism.

Its main functions are:

- a) Issue policy guidelines on foreign investment.;
- b) Decide on the authorizations requests for foreigners, or Mexican companies with more than 49% foreign investment in their capital stock, to participate in activities with specific regulations that require such authorization;
- c) Be the consulting entity on foreign investment matters for the Federal Public Administration;
- d) Establish the criteria for the application of legal and regulatory provisions on foreign investment, through the issuance of general resolutions.

Trust: act whereby a person or legal entity, Mexican or foreign -trustee- transfer to a fiduciary institution -bank or credit institutions - property or ownership of one or more goods or rights, as applicable, to be allocate for legal and determined purposes, entrusting the realization of such purposes to the fiduciary institution.

Foreign investment: Participation by foreign individuals, whether person or legal entities, in Mexican companies and those performed by Mexican legal entities in which foreign capital has majority interest.

Foreign Investor: individual or legal entity of nationality other than Mexican; or foreign legal entity without legal status.

Neutral Investment: Mechanism used as an additional funding instrument, which complements Mexican capital stock to develop investment projects. Neutral Investment is not taken into account for determining the percentage of foreign investment nor Mexican investment, which shall solely grant pecuniary rights to their holders and, if applicable, limited corporate rights, but without granting their holders voting rights in Regular Shareholders' Meetings.

Majority interest of foreign capital: the participation of foreign investment in more than 49% of the share capital of a company.



ECONOMÍA

SECRETARÍA DE ECONOMÍA

Representative Offices: establishment of a foreign company in Mexico that does not intend to carry out commercial activities.

Mexican Society: Legal entities incorporated under Mexican laws.

International Development Associations: A foreign legal entity whose primary purpose is to promote the economic and social development of developing countries by providing temporary venture capital contributions, granting preferential financing, or providing diverse technical support.

Branch: establishment in Mexico of a foreign legal entity that carries out commercial activities.

Restricted Zone: A strip of national territory one hundred kilometers wide along the borders and fifty kilometers along the coast, as referred to in Section I of Article 27 of the Political Constitution of the United Mexican States.