

MEMO# 6225

September 21, 1994

STATUS OF INVESTMENT COMPANY REFORMS IN MEXICO

September 21, 1994 TO: INTERNATIONAL COMMITTEE NO. 16-94 RE: STATUS OF INVESTMENT COMPANY REFORMS IN MEXICO

During the NAFTA negotiations, the Institute was successful in obtaining assurance that after NAFTA was implemented, a U.S. fund would be able to advise and distribute Mexican mutual funds through a wholly-owned subsidiary (a mutual fund operating company) in Mexico. Prior to NAFTA, Mexican nationals had to control the majority interest in any mutual fund operating company and Mexican mutual funds were not permitted to invest in non-Mexican securities. The Mexican government is in the process of implementing the changes required by NAFTA. The Comision Nacional de Valores also expects to implement a number of amendments to Mexico's mutual fund law that were adopted in December 1993, including a removal of the prohibition on investing in non-Mexican securities. To assure that the changes occurring in Mexico will allow U.S. money managers a meaningful opportunity to participate in the Mexican mutual fund market and to obtain more information about access to the Mexican pension management market, Institute staff met with Mexican officials for two days in July. We also met with representatives of the U.S. Embassy in Mexico. In our discussions, we stressed two points: (1) that the regulations permitting U.S. owned mutual fund operating companies not be applied in a manner that discriminates against foreign firms, and (2) that elimination of the "foreign content" rule be implemented in a manner that provides Mexican mutual funds with flexibility to invest freely in a wide range of securities. Attached is a memorandum summarizing these discussions. We will keep you informed of further developments. Mary S. Podesta Associate Counsel - International Attachment

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