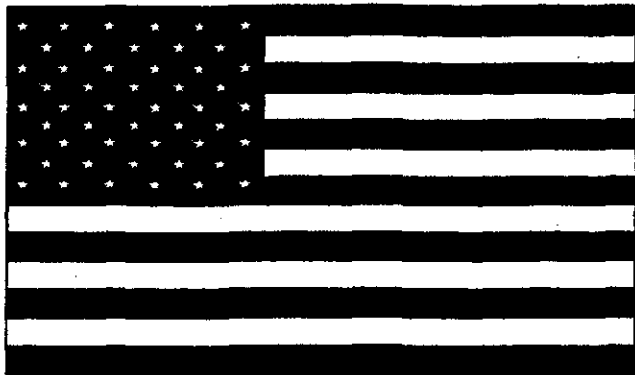


# MEMORANDUM OF UNDERSTANDING



*The United States  
Securities and Exchange Commission*



*Comision Nacional  
De Valores de Mexico*

**ON  
CONSULTATION,  
TECHNICAL ASSISTANCE  
AND  
MUTUAL ASSISTANCE  
FOR THE  
EXCHANGE OF INFORMATION**

*Mexico City  
October 18, 1990*

INTERNATIONAL SERIES

Release No. 181 / October 22, 1990

**MEMORANDUM OF UNDERSTANDING**

**BETWEEN THE**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

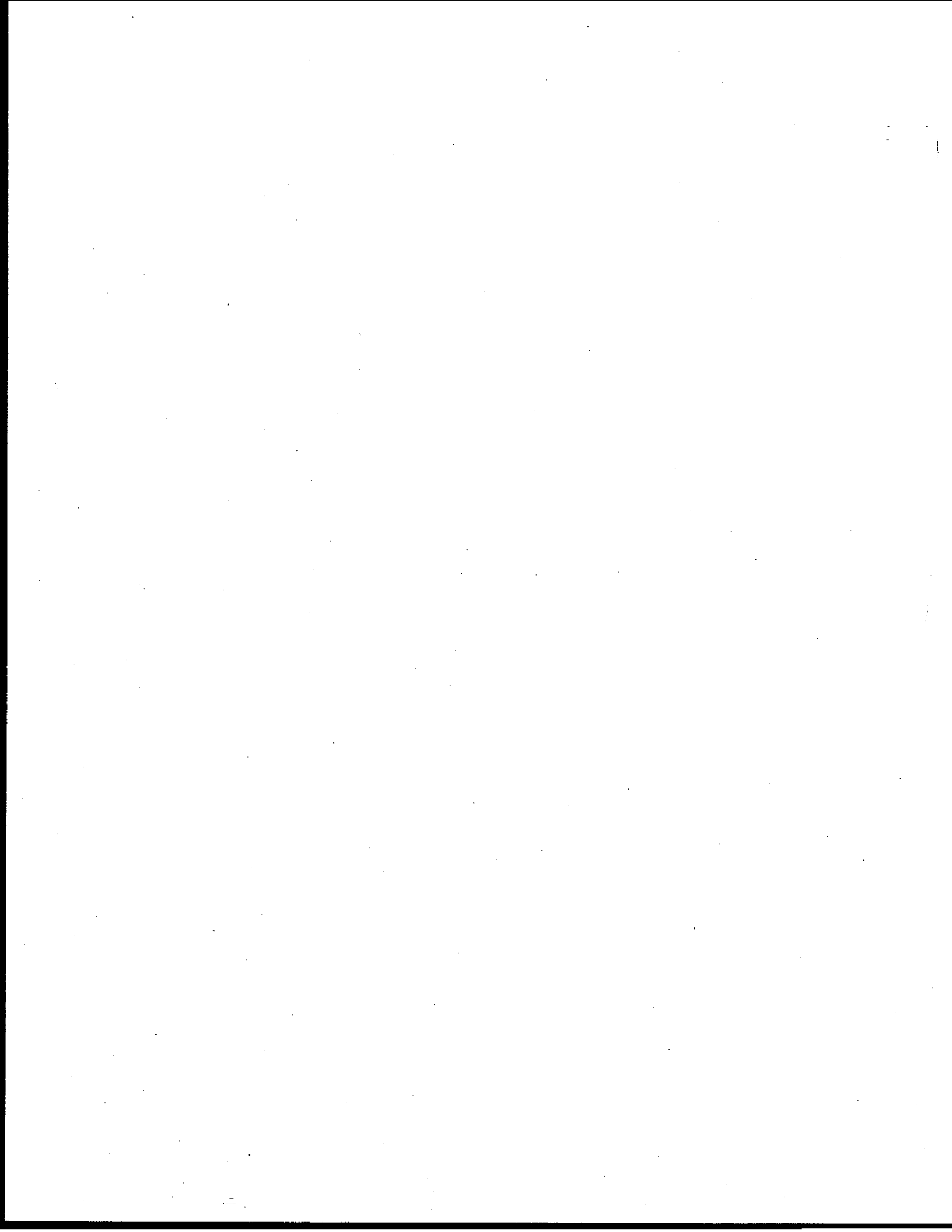
**AND THE**

**COMISION NACIONAL DE VALORES OF MEXICO**

**ON CONSULTATION, TECHNICAL ASSISTANCE,**

**AND MUTUAL ASSISTANCE FOR THE EXCHANGE OF INFORMATION**

**October 18, 1990**



MEMORANDUM OF UNDERSTANDING

The United States Securities and Exchange Commission and the Comision Nacional de Valores of Mexico recognize the increasing international activity in securities markets and the corresponding need for mutual cooperation in matters relating to the administration and enforcement of the securities laws of the United States and the Republic of Mexico. The parties to this Memorandum of Understanding further recognize the significance of independent securities markets for economic development and growth and the need to ensure the development and maintenance of open, fair, efficient and sound domestic securities markets in the United States and Mexico.

Additionally, the parties to this Memorandum of Understanding believe that given the interconnection and interdependence of the United States and Mexican securities markets, it is essential to establish a comprehensive framework for enhancing communication about all matters relating to the operation of the securities markets of their respective countries. Cooperation and consultation between the Securities and Exchange Commission and the Comision Nacional de Valores will create the balance between market oversight and stability, and market development and competition, that is critical to the continued evolution of their domestic markets.

Based on the foregoing, the Securities and Exchange Commission and the Comision Nacional de Valores have reached the following understanding with respect to consultations, technical

assistance, and mutual assistance for the exchange of information.

**ARTICLE I: DEFINITIONS**

For the purposes of this Memorandum of Understanding:

- (a) "Authority" means:
- (i) the Securities and Exchange Commission of the United States, or
  - (ii) the Comision Nacional de Valores of Mexico.
- (b) "requested Authority" means an Authority to whom a request under this Memorandum of Understanding is made.
- (c) "requesting Authority" means an Authority making a request under this Memorandum of Understanding.
- (d) "person" means natural person, unincorporated association, partnership, body corporate, government, political subdivision, agency, or instrumentality of a government, or any equivalent authority.
- (e) "issuer" means a person who issues or proposes to issue any security.
- (f) "investment businesses" means any business which involves, in whole or in part, effecting transactions in securities for the accounts of others; buying and selling securities for one's own account; advising others, for compensation, either directly or through publications or listings, as to the value of securities or as to the desirability of investing in, purchasing

or selling securities; engaging on behalf of an issuer of securities in matters relating to the issuance, registration, exchange and transfer of such securities; the management, promotion, offer or sale of any investment company or collective investment scheme; or equivalent activities conducted by persons or entities.

- (g) "securities processing businesses" means clearing corporations or securities transfer agents.
- (h) "securities exchange" or "securities market" means a market, including an over-the-counter market, for shares, bonds, options and other securities that is recognized, regulated or supervised by the Authorities.
- (i) "laws or regulations" means the laws, regulations and regulatory policies applicable to matters in the jurisdictions of the Authorities concerning securities including, without limitation:
- (i) insider trading;
  - (ii) misrepresentation or the use of fraudulent, deceptive, or manipulative practices in connection with the offer, purchase or sale of any security or in the conduct of investment businesses;
  - (iii) the duties of persons to comply with periodic reporting requirements or requirements relating to changes in corporate control;

- (iv) the duties of persons, issuers or investment businesses to make full and fair disclosure of information relevant to investors;
- (v) the duties of investment businesses and securities processing businesses pertaining to their financial, operational or other requirements, and their duties of fair dealing in the offer and sale of securities, the execution of transactions and the conduct of their businesses; and
- (vi) the financial and other qualifications of those engaged in, or in control of, issuers, investment businesses or securities processing businesses.

In any case of dispute over the meaning of any term used in this Memorandum of Understanding, the parties will define the terms herein in accordance with the relevant laws of the jurisdiction of the requesting Authority.

**ARTICLE II: CONSULTATIONS REGARDING MATTERS OF MUTUAL INTEREST AND PROVISION OF TECHNICAL ASSISTANCE FOR MARKET DEVELOPMENT**

**Section 1: GENERAL PRINCIPLES FOR CONSULTATIONS AND TECHNICAL ASSISTANCE**

1. The Authorities consider it essential to establish a framework to enhance cooperation about all matters relating to the operation of their markets and the protection of investors. To that end the Authorities wish to arrange for the provision of

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technical assistance on a continuing basis, to enhance communication and to further mutual understanding.

2. This Article sets forth a statement of the intent of the Authorities regarding such a framework for consultations and technical assistance. The Authorities intend to engage in a regular dialogue on both domestic and international aspects of securities regulation and enforcement, and on the development and operation of their securities markets.

**Section 2: CONSULTATIONS ON THE STABILITY, EFFICIENCY AND INTEGRITY OF THE MARKETS**

The Authorities intend to consult periodically about matters of mutual interest in order to enhance cooperation and the protection of investors by ensuring the stability, efficiency, and integrity of the securities markets of the United States and Mexico. Such consultations may cover, among other things, the development of capital and other standards for the operation of investment businesses; business practices; the evolution of clearance and settlement and other market systems; the coordination of market oversight; and the administration of United States and Mexican securities laws or regulations. The purpose of such consultations is to assist in the development of mutually agreeable approaches for strengthening the securities markets of the United States and Mexico, while avoiding, wherever possible, conflicts that may arise from the application of differing regulatory practices.

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**Section 3: PROVISION OF TECHNICAL ASSISTANCE FOR THE DEVELOPMENT OF THE MEXICAN SECURITIES MARKETS**

1. The Securities and Exchange Commission intends to consult with and provide advice to the Comision Nacional de Valores with a view toward establishing and implementing an ongoing technical assistance program for the development, administration and operation of the Mexican securities markets. Such consultations will identify specific types of technical assistance that the Authorities believe are desirable and reasonable. The technical assistance may include the training of personnel as well as the provision of information and advice relating to the development of:

- (i) systems to promote the formation of capital, including both public and private placement markets;
- (ii) privatization of state-owned companies utilizing securities distributions;
- (iii) types of securities to fill particular needs;
- (iv) order handling systems;
- (v) trade recording and comparison systems;
- (vi) quotation and transaction data transmission systems;
- (vii) clearance and settlement mechanisms;
- (viii) regulatory requirements relating to market professionals and capital adequacy;
- (ix) systems and related regulatory mechanisms relating to accounting and disclosure;
- (x) systems necessary for effective market surveillance and enforcement programs; and
- (xi) procedures and practices to protect investors.

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2. The Authorities recognize that specific technical assistance will be subject to the availability of resources as well as domestic authorizing legislation.

**Section 4: PROVISION OF TECHNICAL ASSISTANCE TO EMERGING SECURITIES MARKETS**

The Authorities share a common commitment to supporting the development of open, safe, sound and efficient securities markets around the world. The Authorities believe that combining their unique experiences and perspectives will provide a valuable resource for countries with emerging securities markets. Therefore, the Authorities intend to work together to respond to requests from countries with emerging securities markets for technical assistance on a wide variety of securities issues.

**ARTICLE III: MUTUAL ASSISTANCE FOR THE EXCHANGE OF INFORMATION**

**Section 1: SCOPE OF ASSISTANCE**

1. In accordance with the domestic laws and regulations of their respective States, the Authorities will provide the fullest measure of mutual assistance, as contemplated by this Article.

Such assistance will be provided to facilitate the performance of securities market oversight functions; the enforcement of the laws and regulations applicable to securities exchanges and their members; the granting of licenses, waivers or exemptions for the conduct of investment businesses; the inspection or examination of investment businesses; and the conduct of investigations, litigation or prosecution in cases where information located within the jurisdiction of the requested Authority is needed to

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determine whether, or prove that, the laws or regulations of the requesting Authority may have been violated. Assistance will not be provided where the execution of a request would require the requested Authority to exceed its legal authority or would otherwise be prohibited by the laws of the State of the requested Authority.

2. Assistance available pursuant to this Article includes, but is not limited to:

- (a) providing access to information in the files of the requested Authority;
- (b) obtaining the statements of persons; and
- (c) obtaining information and documents from persons.

3. The Authorities recognize that they may not in all circumstances possess the legal authority to provide the assistance contemplated in this Article. Subject to such limitations of legal authority, the Authorities will use all reasonable efforts to obtain the authorization, or the assistance of such other governmental agencies that have such authority, necessary to provide the assistance described in this Article.

**Section 2: GENERAL PRINCIPLES FOR PROVIDING ASSISTANCE**

1. This Article sets forth a statement of intent of the Authorities to establish a framework to facilitate the exchange of information between the Authorities to the fullest extent possible in accordance with the laws of their respective jurisdictions, and to enforce or secure compliance with any law or regulation, as that term is defined herein.

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2. The provisions of this Article will not give rise to a right, directly or indirectly, on the part of any person, other than the Authorities, to obtain, suppress or exclude any information or to challenge the execution of a request for assistance under this Article.

3. A request for assistance may be denied by the requested Authority:

- (a) where the request would require the requested Authority to act in a manner which would violate the laws of the State of the requested Authority;
- (b) where the request is not in accordance with the provisions set forth in this Article;
- (c) on grounds of essential public interest; or
- (d) on grounds of national security.

**Section 3: REQUESTS FOR ASSISTANCE**

1. Requests for assistance must be made in writing and addressed to the requested Authority's contact officer listed in Appendix A.

2. Requests shall specify:

- (a) a general description of both the matter that is the subject of the request and the purpose for which the assistance or information is sought;
- (b) a general description of the assistance, documents, information and statements of persons sought by the requesting Authority;

- (c) the persons believed by the requesting Authority to possess the information sought, or the places where such information may be obtained, if the requesting Authority is knowledgeable thereof;
- (d) the legal provisions pertaining to the matter that is the subject of the request; and
- (e) the desired time period for the reply.

3. In the event of urgency, requests for assistance and replies to such requests may be effected by summary procedures or by means of communication other than the exchange of letters, provided that all such communications are confirmed in the manner prescribed in the foregoing paragraphs of this Section.

**Section 4: EXECUTION OF REQUESTS**

1. Access to information held in the files of the requested Authority will be provided upon request of the requesting Authority pursuant to Section 3 of this Article.

2. In making a request for assistance, the requesting Authority may designate the persons whose statements it wishes the requested Authority to obtain.

3. When requested by the requesting Authority, the requested Authority will use its best efforts to obtain statements from persons involved, directly or indirectly, in the activities that are the subject of the request or holding information that may assist in carrying out the request. The requested Authority also will require the production of other

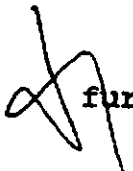
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evidence from any other party or parties designated by the requesting Authority.

4. The obtaining of statements, the gathering of documents, and the response to a request under this Article will be conducted in accordance with the procedures of the requested Authority and by persons designated by the requested Authority, unless otherwise agreed by the Authorities.

5. Notwithstanding any other provision of this Memorandum of Understanding, any person providing statements, information or documents as a result of a request made under this Article will be entitled to all the rights and privileges of the laws of the jurisdiction of the requested Authority that may otherwise be applicable. Assertions regarding other rights and privileges arising exclusively pursuant to the law of the jurisdiction of the requesting Authority shall be preserved for consideration by the courts in the jurisdiction of the requesting Authority.

**Section 5: PERMISSIBLE USES OF INFORMATION**

 1. The requesting Authority may use the information furnished solely:

- (a) for the purposes stated in the request with respect to ensuring compliance with or enforcement of the laws and regulations of the requesting Authority, including the legal provisions specified in the request and related provisions; and
- (b) for purposes within the general framework of the use stated in the request, including conducting a civil or

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administrative enforcement proceeding, assisting in a self-regulatory enforcement proceeding, assisting in a criminal prosecution, or conducting any investigation related thereto for any general charge applicable to the violation of the provisions specified in the request.

2. The requesting Authority will not use the information furnished for any purpose other than those stated in paragraph 1 of this Section, unless it has first informed the requested Authority of its intention and the requested Authority has not objected, within 14 days, to such intended use of the information. If the requested Authority opposes such use, the information may be used only under the conditions imposed by the requested Authority. If use of the information is opposed by the requested Authority, the Authorities agree to consult pursuant to Section 7 of this Article concerning the reasons for the refusal and the circumstances under which use of the information might otherwise be allowed.

**Section 6: CONFIDENTIALITY OF REQUESTS**

1. To the extent permitted by law, except for disclosures in accordance with Section 5 of this Article and disclosures that are absolutely necessary to carry out the request:

- (a) each Authority will keep confidential requests made under this Article, the contents of such requests, and any other matters arising during the operation of this

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Article, including consultations between the Authorities and unsolicited assistance; and

- (b) the requesting Authority will keep confidential any information received by the requested Authority pursuant to this Article.

Such confidentiality may be waived by the mutual agreement of the Authorities.

2. Except as contemplated by Section 5 of this Article, the requesting Authority will not offer the information to, and shall use its best efforts to ensure that it is not obtained by, any other person. Where appropriate, to further ensure the confidentiality of any information provided by a requested Authority in response to a request under this Article, the requested Authority shall in good faith determine and represent that public disclosure of the information would violate its country's laws. Unless otherwise agreed, if such information is obtained by any other person, the requesting Authority will use its best efforts to ensure that such information will not be used by that person in any way that involves disclosure to any other person.

3. The requesting Authority will notify the requested Authority of any legally enforceable demand for information prior to complying with the demand, and will assert such appropriate legal exemptions or privileges with respect to such information as may be available.

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4. When the requesting Authority has terminated the matter for which assistance has been requested under this Article, upon request of the requested Authority, it will return to the requested Authority, to the extent permitted by law, all documents and copies thereof not already disclosed in proceedings referred to in Section 5 of this Article and other material disclosing the contents of such documents, other than material that is generated as part of the deliberative or internal analytical process of the requesting Authority.

5. Any document or any other material provided by the requested Authority in response to a request under this Article and any other material disclosing its content, other than material that is generated as part of the deliberative or internal analytical process of the requesting Authority, will not become the property of the requesting Authority, and must be redelivered, upon demand, to the requested Authority without delay to the extent permitted by the law of the requesting Authority; provided that such demand may be made only if the requested Authority has reason to believe that the information has been or is likely to be disclosed or used other than as contemplated by Section 5 of this Article.

**Section 7: CONSULTATION REGARDING MUTUAL ASSISTANCE  
PURSUANT TO THIS ARTICLE**

1. The Authorities will engage in consultation with respect to this Article with a view to improving its operation and resolving any matters that may arise. In particular, the

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Authorities will consult upon request in the event of:

- (a) a refusal by one Authority to comply with a request for information on the grounds set forth in paragraphs 3(a) and (b) of Section 2 of this Article; or
- (b) a change in market or business conditions, or in the legislation governing the matters set forth in paragraph (i) (i)-(vi) of Article I, or any other circumstance that makes it necessary or appropriate to amend or extend this Article in order to achieve its purposes.

2. The Authorities may agree on such practical measures as may be necessary to facilitate the implementation of this Article.

3. Any of the conditions of this Article may be amended, relaxed or waived by mutual agreement.

**Section 8: UNSOLICITED ASSISTANCE**

To the extent permitted by the laws or regulations of its jurisdiction, each Authority will use reasonable efforts to provide the other Authority with any information it discovers that gives rise to a suspicion of a breach, or anticipated breach, of the laws or regulations of the other Authority.

**Section 9: COSTS OF INVESTIGATION**

If it appears that responding to a request for assistance under this Article will involve substantial costs being incurred by the requested Authority, the requested Authority and the

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requesting Authority will establish a cost-sharing arrangement before continuing to respond to such request for assistance.

**ARTICLE IV: FINAL PROVISIONS**

**Section 1: EXECUTION**

This Memorandum of Understanding will be effective from the date of its execution.

**Section 2: TERMINATION**

This Memorandum of Understanding may be terminated by either Authority by that Authority giving 30 days notice to the other Authority that this Memorandum of Understanding is no longer in effect. If either Authority gives such notice, this Memorandum of Understanding will continue to have effect with respect to all requests for assistance that are made before the effective date of notification until the requesting Authority terminates the matter for which assistance was requested.



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**Section 3: NEGOTIATION OF BINDING AGREEMENT**

The Authorities intend to commence negotiations, subject to the fulfillment of necessary internal procedures, within 12 months from the date of this Memorandum of Understanding, with a view toward signing a binding Agreement on cooperation in securities matters.

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSION

COMISION NACIONAL DE VALORES  
OF MEXICO

by Richard C. Breeden by  
Richard C. Breeden  
Chairman

Oscar Espinosa Villarreal  
Presidente

WITNESSED:

John D. Negroponte  
John D. Negroponte  
Ambassador of the United States  
of America to Mexico

Pedro Aspe Armella  
Pedro Aspe Armella  
Secretary of Finance and  
Public Credit of Mexico

DATED this 18th day of October, 1990

APPENDIX A

CONTACT OFFICERS

United States Securities and Exchange Commission  
450 5th Street N.W.  
Washington, D.C.  
U.S.A. 20549

Attention: Director, Office of International Affairs

Tel.: (202) 272-2306  
FAX: (202) 504-2282

Comision Nacional de Valores of Mexico  
Barranca del Muerto 275  
Col. San Jose Insurgentes  
Mexico City, Mexico

Attention: Lic. Francisco Sosa Mansur  
Coordinador General Juridico Consultivo

Tel.: (525) 651-7747  
FAX: (525) 651-3386