EQUIPMENT LEASING & FINANCE
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Your Eye On The Future

Mexico

Factors For Success in the Mexican Equipment Finance Market

EQUIPMENT LEASING & FINANCE
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The Equipment Leasing and Finance Foundation is the only non-profit organization dedicated to providing future oriented research about the equipment lease and financing industry.

The Foundation accomplishes its mission through development of studies and reports identifying critical issues impacting the industry.

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Preface

Members of the equipment finance industry have shown an increasing interest in expanding their leasing and financing activities beyond the US. Mexico is a logical step in that expansion. As a next door neighbor with over 100 million consumers, Mexico represents a large and growing market, and is the United States' third-largest trading partner.

The Equipment Leasing and Finance Foundation, recognizing the need for significantly better information about equipment financing activities in Mexico, commissioned a White Paper on the Mexican equipment leasing and financing market. Backed by the experience of others, and armed with data regarding the environment, unique risks, and entering the market, US equipment financiers can make informed decisions as to how, or if, they should pursue this opportunity.

Principals of The Alta Group, from our offices throughout the world, participated in the research and analysis for this White Paper. Lessors with leasing and financing experience in Mexico also provided valuable assistance. It is hoped that this information will assist industry members in gaining an important "first-mover" advantage into this growing market.

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Executive Summary

Mexico has a large, fast-growing economy that represents an important emerging market for those in the international equipment financing market. Mexico's gross domestic product of US$ 1.35 trillion (purchasing power parity)[1] is the 12th-largest in the world; it is the 3rd largest trading partner of the United States, and is the largest of the "N-11" countries (the "Next-11", or next biggest emerging markets after the BRICs – Brazil, Russia, India and China).

The Mexican equipment financing market is well-developed. Equipment leasing began in Mexico in the early 1960s, and by the end of 2007 the total equipment financing portfolio in Mexico was estimated to be approximately US$5.6 billion, the second-largest in Latin America. Motor vehicles are the predominant assets financed, although IT and industrial equipment also are widely financed.

Lessors entering the Mexican market must be legally incorporated in Mexico, and may operate as *arrendadoras puras* (permitted to write operating leases) or as SOFOMs (multiple purpose financial companies, permitted to write both capital and operating leases). Most lessors choose to operate as SOFOMs for tax reasons; there are over 530 SOFOMs at the time of this writing. The registration process takes approximately 45 to 60 days.

There are several important risk factors in Mexico that lessors should consider. Recourse in the event of lessee default is inefficient, and the process takes considerable time, particularly in smaller cities and towns where the judiciary is unlikely to be familiar with leasing. It takes 415 days to enforce a contract in Mexico, on average. The availability of credit information is improving – the Buro de Crédito has information on over 61% of the population – but thorough knowledge of the customer is paramount to avoiding credit problems.

Residual risk is an important issue in Mexico, as used equipment markets are largely undeveloped for most assets (though this is slowly changing). Currency risk might best be described as "predictable instability"; the peso declined steadily against the US dollar from 1995 through 2006, though, like most currencies, it has rebounded against the weak dollar in 2008.

The Mexican equipment leasing and financing market is well-established and growing. International equipment lessors considering market entry should weigh the prospective benefits of a large, vibrant market with their ability to manage the risks inherent in emerging markets, generally, and to Mexico in particular.

[1] https://www.cia.gov/library/publications/the-world-factbook/print/mx.html

Introduction

This is the second report in a series of White Papers commissioned by the Equipment Leasing and Finance Foundation to assist with the international expansion efforts of industry members. In addition to following their vendors and customers overseas, or supporting their parents' products, US leasing and finance companies are pursuing market expansion strategies because of today's highly competitive US leasing and financing market. These standard motivations are being reinforced by the fact that, with the US on the verge of a recession, emerging markets appear to be a safe haven and strategic balance in bad times. This thought process is being driven by the widely-mentioned economic theory of "decoupling" that recently has emerged.

Under the theory of decoupling, economists have advocated that emerging economies have broadened and deepened to the point that they no longer depend on the US for growth, thereby leaving them insulated from a severe US slowdown or recession. According to the Economist:

> "Decoupling does not mean that an American recession will have no impact on developing countries. That would be daft. The point is that their GDP-growth rates will slow by much less than in previous American downturns. Most enjoyed strong growth during the fourth quarter of last year, and some speeded up, even as America's economy ground to a virtual halt and its non-oil imports fell.
>
> One reason is that while exports to America have stumbled, those to other emerging economies have surged …. China's growth in exports to America slowed to only 5% (in dollar terms) in the year to January, but exports to Brazil, India and Russia were up by more than 60%, and those to oil exporters by 45%. Half of China's exports now go to other emerging economies. Likewise, South Korea's exports to the United States tumbled by 20% in the year to February, but its total exports rose by 20%, thanks to trade with other developing nations.
>
> A second supporting factor is that in many emerging markets domestic consumption and investment quickened during 2007. Their consumer spending rose almost three times as fast as in the developed world. Investment seems to be holding up even better: according to HSBC real capital spending rose by a staggering 17% in emerging economies last year, compared with only 1.2% in rich economies."[2]

[2] "Emerging markets : The Decoupling Debate. Could recession spread from America?", Mar 6th 2008, Hong Kong, www.economist.com

Although the US still leads the world in the volume of equipment leasing,[3] it also is a very mature industry. This maturity includes product commoditization, slowing growth, and static market share. This, added to the slowdown in economic activity, leads many US lessors to seek opportunities in new markets and channels to sustain asset growth and maintain profitability. The Mexican leasing market is being viewed as one of these opportunities.

Mexico heads the list of what is known as the N-11, i.e., the second group of high growth economies behind the BRICs.[4] According to Morgan Stanley:

> "The ability for the Mexican economy to insulate itself from the US business cycle is limited, but Mexico's exporters have been in the midst of a decoupling of sorts. In the face of anemic import demand from the US, Mexico's exports to the rest of the world have soared. And even within Mexico's most important market, namely the US, Mexican exporters have managed to post modest yet steady gains in market share. The upshot: the magnitude of Mexico's trade link to the US remains overwhelming, but the dynamism of Mexican non-US bound exports is helping to soften the hit on Mexican economic activity from sharply lower US import demand."[5]

Establishing leasing and finance operations outside the US

Being a successful lessor is a challenge even in one's own country – the task becomes even greater in another jurisdiction, especially when it is governed by a different legal, social and business culture such as in Mexico. There are many structural, legal, accounting, tax, and cultural differences that must be addressed.

One such difference is the inherent instability of the economic cycle in all emerging markets. Such instability demands that investors pay close attention and gain insights into the social, cultural, and economic fundamentals of the country and, by corollary, its leasing and financing industry. This assertion is illustrated by Pacek and Thorniley in their book, Emerging Markets: Lessons for Business Success and the Outlook of Different Markets:

> "Foreign investors fell in love with Mexico in the late 1980s and early 1990s. The country's debt crisis was resolved. Mexico, the United States

[3] The US originates 34.75% of the global leasing volume worldwide, according to the World Leasing Yearbook, 2008, Euromoney Institutional Investor, PLC, England

[4] The Next Eleven (or N-11) is a short list of eleven countries named by Goldman Sachs investment bank on December 12, 2005 as having promising outlooks for investment and future growth. According to Goldman Sachs, the N-11 countries are Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam.

[5] Morgan Stanley & Co. Global Economic Forum, Luis Arcentales, "Mexico: A Decoupling of Sorts", October 24, 2007,New York. Available online at http://www.morganstanley.com/views/gef/archive/2007/20071024-Wed.html#anchor5715. Last visited March 9, 2008.

> and Canada started to negotiate a North American Free Trade Agreement (NAFTA). The Mexican government was run by economists who were trained at leading American universities. Optimism and enthusiasm spread in the multinational business community as policies grew more liberal and macroeconomic stability seemed impossible to shatter.
>
> But the seeds of instability were already being sown. The inflation rate stayed relatively high and, with a stable exchange rate, there was continuous real appreciation of the currency. As a result, Mexican exports gradually became less competitive. At the same time, as long-standing import barriers were dismantled and more multinationals started to push sales more aggressively (to buyers who felt richer because their currency had in effect become stronger), an import boom was inevitable. To add fuel to the fire, banks started to loan more and more money, which further encouraged demand for imports.
>
> Economists started to worry that the situation was unsustainable and argued for a devaluation to restore competitiveness and push GDP growth higher than population growth. With foreign reserves decreasing, Mexico decided to devalue. But as Paul Krugman, a professor of economics at Princeton University, argued in his book The Return of Depression Economics, the authorities made several mistakes and failed to follow the golden rules. First, if a country decides to devalue, the devaluation has to be big enough to prevent speculators from betting on a further decline. Mexico devalued much less than economists and (nervous) markets expected. Second, after the devaluation, the authorities must appear fully in control of economic policies, or nervous investors might start to panic. As well as not following the golden rules, it emerged that certain Mexican businessmen were given inside information about the devaluation and that they profited from it. Soon foreign investors panicked, prompting a large flight of capital out of the country."[6]

Beyond these factors, a US lessor seeking to establish an international presence also must consider the developmental stage of the leasing industry it is entering. Many emerging leasing industries, for instance, follow similar developmental patterns. They start out small and then grow very rapidly, as multiple lessors enter the market. After a relatively short period of growth and prosperity, however, there is an economic adjustment, usually in the form of a major contraction or, in some cases, a collapse. As illustrated later in this paper, the Mexican leasing industry appears to have reached adulthood and is nearing maturity, although there are some worrying factors that may lead to retrenchment. Paradoxically, these same factors may become an additional business opportunity for US lessors.

[6] Nenad Pacek and Daniel Thorniley, Emerging Markets: Lessons for Business Success and the Outlook for Different Markets, Profile Books Ltd, 58A Hatton Garden, London ec1n 8lx, Copyright © The Economist Newspaper Ltd 2004, ISBN 1 86197 408 6

Key differences

On a more granular level, US lessors must make decisions such as whether to act on a cross-border basis, or establish a permanent presence in the Mexican market. Although a permanent presence generally proves to be the best formula for a sustainable strategy, due to its operational flexibility, there are many issues that need to be assessed in order to define the right structure.

It goes without saying that a lessor operating internationally will face differing tax, accounting, and legal rules and regulations. These differences can be reduced to a set of common differences. As an example, although legal systems differ between countries, they generally may be classified as either common law or civil law systems. Common law systems are present in all former British colonies and protectorates such as Canada, India, and Australia. Civil law systems, on the other hand, are present in countries colonized or influenced by Continental European cultures, e.g., Spain, Portugal, France, and Germany. This is the case in Mexico, whose legal system is a combination of several civil law regimes.

Accounting regulations are always an issue in any international expansion, but there is not much divergence in the accounting for leases between countries. Many countries now follow International Financial Reporting Standard No. 17 (IFRS 17) or a local lease accounting standard based on IFRS 17 or FASB 13, which is the case in Mexico. And, although accounting systems still may be different, in line with the local legal systems and business cultures, there is a continuing trend towards unification.

The tax systems amongst the various countries of the world also share common threads. The particulars will differ, but each country has a tax on income, some form of cost recovery, and a tax on consumption. US lessors must still be cognizant of the differences in application of the tax laws, nonetheless.

Cultural differences also must be assessed and then addressed if the enterprise is to be successful. Special attention needs to be paid to languages, technological and physical environment, social organization, labor issues, country history, the concept of authority and political organization, religion, and even the prevailing business and social approach towards time. The many things that are taken for granted in the US business environment now become critical factors for success in an international environment.

Regulatory guidance

The number and nature of the regulations and rules represent a major difference between the US and other leasing industries. Most countries outside the US consider equipment leasing and financing as financial activities, so they regulate such activities with the aim of ensuring transparency, professional reliability, and minimum damage to the public interest. Consequently, regulatory agencies, generally those that supervise banks and insurance companies, also have oversight of leasing companies.

In many countries, finance leasing is reserved for certain financial institutions that must meet licensing requirements set forth by law, usually by the Central Bank or other government body in charge of regulating financial institutions and capital markets. In Mexico, this body is the Comisión Nacional Bancaria y de Valores (CNBV). As discussed later, there currently is coexistence between de-regulation and certain regulatory controls that shape the business environment for equipment leasing in Mexico.

Special attention needs to be paid to language, social organization, labor issues, and even prevailing business and social approaches towards time.

Risk management

As previously mentioned, being a successful lessor is a challenge even in one's own country and even more so internationally. An international expansion strategy, therefore, also must be supported by a very solid risk management culture and organization. The strategy must assess unique market risks, including country, operating, currency, and funding risks. Lastly, a prudent lessor will analyze and define a sound exit strategy. Managing the risks of doing business in Mexico is discussed in more detail later in the study.

Core Market Research

A full understanding of the competitive landscape and unique challenges of a new market is the key to any successful expansion strategy. The balance of this paper addresses the factors to be considered and analyses to be performed by US lessors contemplating conducting leasing and financing business in Mexico.

Equipment leasing in Mexico

The history of equipment leasing and finance in Mexico must be put into context with the history of Mexico, along with how the current social and economic structures came into being .

Prior to the Spanish subjugation, several very advanced civilizations such as the Mexica, Aztecs, and Mayans, lived in what is, today, Mexican territory. When the Spanish conquerors, led by Hernan Cortes, defeated and took control of the aboriginal population, a large native mestizo population inhabited the territory that was originally called Nueva España, or what is today's Mexico. The demographics, the economy, the culture, and the social organization existing in Mexico today are highly influenced by this past. A good illustration of the traces of such history is that Mexican ethnicity today is 60% mestizo (Amerindian-Spanish), Amerindian or predominantly Amerindian 30%, white 9%, and 1% other.[7] Furthermore, this population speaks a variety of languages other than English, including Spanish, various Mayan, Nahuatl, and other regional indigenous languages.[8]

Mexico's economic foundation began with rich mining resources, an advanced and diversified agriculture, some light manufacturing industries founded in the mid-19th century, and a heavy industry that gained strength during the Porfiriato (Porfirio Diaz's government). These beginnings have led to the economic growth and foundations of today's economic structure in Mexico. This economic development has occurred in the context of Mexico's love/hate relationship with the US, which, on the one side, reflects a normal adversarial attitude from losing territories such as Texas and others, to the benefits of the extraordinary economic partnership that is dominant between the two countries today.

Due to this relationship, it is not surprising to discover that equipment leasing began in Mexico in the early 1960s, at the same time as the US leasing industry started its first international expansion. Leasing arrived in Mexico in 1961 with the formation of Interamericana de Arrendamientos, S.A., which would change its name to Arrendadora Serfin, S.A., to reflect its affiliation with one of Mexican's largest banks, Banco Serfin. Other bank affiliated companies such as

[7] CIA - The World Factbook – Mexico, in https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html. Last visited March 9, 2008.
[8] Ibidem.

Arrendadora Banamex, S.A.de C.V., Arrendadora Banpais,S.A., among others, soon entered the space.

These companies began operations in an unregulated environment. However, in 1966, the Mexican Revenue Service issued Criteria No. 13 interpreting Section 19(VI)(g) of the Mexican Federal Income Tax Act, stating that certain financial leases should be treated as sales. This provision was the result of several inquiries made by lessors, asking for accelerated depreciation allowances. Instead, it gave them the benefit, due to the sales treatment, of being able to immediately write off the cost of the leased equipment as a cost of goods sold. Additionally, the lessees were entitled to claim full deductions of the rentals accrued or paid to the lessor.

This treatment had a flaw, however, in that it assumed that, in all cases, the lessee would exercise its purchase option, which was quickly proven to not be the case. Not surprisingly, this pleasant honeymoon did not last long, as, in 1969, the Revenue Service issued Oficio Circular 537-6194 eliminating the tax treatment to the lessor and getting back to treating leased assets as fixed assets subject to ordinary depreciation.

The amended Criteria No.13 created an unjust burden for existing lessors, who were now required to adjust their former tax returns to the new principles and retroactively pay all taxes that would be due. This situation led to the reform of the Income Tax Act in 1974, in which accelerated depreciation was granted to lessors, as implemented by Oficio Circular 102-4079 of 1974. Five years later, this tax treatment was amended further.

The first explicit legal reference to leasing can be found in the reform to the Mexican Federal Fiscal Code in 1981. Section 15, Fraction IV contains the first definition of financial leasing. This reform was accompanied by a reform to the Credit Institutions and Credit Ancillary Organizations Act, whereby lessors were given the legal status of Credit Ancillary Organizations (Organizaciones Auxiliares del Crédit). This statute would be superseded by the General Act of Credit Ancillary Organizations, also known as LGOAC, which was enacted in 1985.

Once financial leasing was defined, Mexican law permitted the operation of two basic kind of lessors, i.e., (i) Arrendadoras Puras, nonregulated entities writing lease deals that did not fit within the legal definition of financial leasing, and (ii) the so-called SOFOLES or Limited Purpose Financial Companies (Sociedades Financieras de Objeto Limitado) which conducted leasing activities under government supervision.

Some European and North American multinationals, such as GE Commercial Finance, CIT, Caterpillar Financial, John Deere Credit Corporation, GMAC, Citicorp, Santander, BBVA, and others are active in Mexico in various legal forms (please refer to page 37 and Appendix Two for more details on the types of entities these companies are using).

By mid-2006, the law was further reformed to allow leasing companies to cease their status as Credit Ancillary Organizations, or Organizaciones Auxiliares del Crédito, and to be transformed into SOFOMs, or Multiple Purpose Financial Companies. These and other companies were entitled to operate as lessors under the legal definition of financial leases. The Mexican market currently is assimilating these changes, although it is not yet possible to fully analyze their impact on the leasing and financing market.

The legal ownership of equipment subject to a lease in Mexico is based on the form of the transaction rather than its economic substance. In other words, the lessor always is the owner of the equipment for legal purposes. In this respect, therefore, it is important to bear in mind that the legal definition of a lease may not exactly match the accounting or tax definition. As a point of reference for these definitions, **Table One** highlights the differences between the legal and accounting definitions of both finance and operating leases.

From a legal perspective, a financial lease, or arrendamiento financiero, is a “contract whereby a person assumes the obligation to grant to another person the temporary use and enjoyment of certain tangible goods at a forceful term, and the later person assumes the obligation to pay in consideration partial payments in cash determined or determinable that must cover the acquisition cost of such goods, financial and other ancillary charges and to exercise at the end of the lease any of the terminal options set forth by the corresponding statute.”[9]

According to the statute, these terminal options consist of one of the following:

- Purchasing the goods for a price that must be less than the lessor’s acquisition cost, and that shall be predetermined in the lease. In the event that such price is not determined under the lease, in any event such price must be lesser than the fair market value at the time of the purchase, pursuant to the basis set forth under the lease;
- Renewing the lease for a mutually agreed term, but paying a rental less than the rental payable under the primary term of the lease, as set forth under the lease; and
- Sharing with the lessor the proceeds of the sale of the goods in the secondary market, in proportions and conditions set forth under the lease.”[10]

[9] Código Fiscal de la Federación, Article 15.
[10] Ley de Títulos y Operaciones de Crédito (Securities and Credit Transactions Act), Article 410. This article was introduced into the Securities and Credit Transactions Act by the 2006 legal reforms. Prior to

Table One

Comparison between the Legal Treatment of a Lease and Bulletin D-5

Topic	Legal Treatment	Bulletin D-5
Finance leases - classification	The rentals incorporate the cost of the asset plus finance and other charges and the lessee has end of lease options to (a) purchase the asset for a price less than fair market value; (b) renew the lease for a rental less than the primary term rental, or (c) share the proceeds of the sale of the equipment by the lessor	A lease is classified as a finance lease if the present value of the minimum lease payments amounts to substantially all of the fair value of the asset.
Finance leases – recognition by lessees	Lessees should recognize finance leases as assets and liabilities in their balance sheets at amounts equal at the inception of the lease to the carrying amount of the leased property.	Lessees recognize finance leases as assets and liabilities in their balance sheets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.
Sale-leasebacks (finance leases)	Any difference between the sales proceeds and carrying amount of the asset is deferred and amortized as an adjustment to depreciation expense according to the depreciation pattern of the leased asset.	Any excess of the sales proceeds over the carrying amount of the asset is deferred and amortized over the lease term.
Sale-leasebacks (operating leases)	Any difference between the sales proceeds and carrying amount of the asset is deferred and amortized in proportion to the lease payments during the lease term.	If the sales price is at fair value, the profit is recognized immediately. If the sales price is below fair value, the loss is recognized immediately. If the loss is compensated through future lease payments, the loss is deferred and amortized. If the sales price is above fair value, the excess amount is deferred and amortized.

that, the applicable statute was the Ley General de Organizaciones y Actividades Auxiliares del Crédito (Credit Ancillary Activities and Organizations Act). The wording of the statute is the same as before, with the only difference being the de-regulation of lessors.

A financial lease, as defined by Mexican law, must be entered into in writing and may be recorded at the Public Registry, if any of the parties so desire. The Fiscal Code mandates that the written document must identify the acquisition cost of the goods and the interest rate used to calculate the rentals.

Based upon the above definition, it is possible to arrive at the conclusion that all arrendamientos financieros are full payout leases. This is not necessarily true, as it is possible to structure a residual-based lease with the expectation that the lessee will opt for the third option set forth under the law, that most of the proceeds of the re-sale of the asset may go to the lessor, and the exercise of the first option may not be economically feasible for the lessee. Note that the law does not refer to either a full payout lease or a bargain purchase option. It only refers to a pre-agreed price that must be less than the lessor's acquisition cost of the equipment.

Although arrendamientos puros are leases from a legal perspective, these leases do not fall into the statutory definition of arrendamientos financieros. As such, freedom of contract may create any kind of structure. For instance, an arrendamiento puro may be a full payout lease that lacks a purchase option or that may only grant to the lessee the option to purchase the equipment at the end of lease for its fair market value.

Market size

Data compiled by The Alta Group in its Latin American Region, or LAR, 100 report, indicates a total Mexican leasing portfolio of US$3.5 billion. This figure is based on the combined reporting of the AMSOFAC[11] (Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje), and the reports from the CNBV, which is the National Banking and Securities and Exchange Commission.

The Alta LAR 100 report did not include in its figures the data compiled by AMEAP (Asociación Mexicana de Arrendadoras Puras), which is the operating leasing association. AMEAP reports a total portfolio of its members of Mx$14.5 billion, or approximately US$1.3 billion. Based on this data, the total equipment leasing portfolio in Mexico can be estimated to be around US$5.6 billion, which places Mexico as the next largest equipment leasing market in Latin America, second only to Brazil.

Lease taxation

Mexican companies maintain separate books for tax and accounting. Taxes are paid based on revenues and income as declared in their tax returns and are subject to audit and assessment pursuant to the guidelines set forth by the

[11] Under the current legal environment, AMSOFAC gathers data on all SOFOMs dedicated to equipment leasing, financing, and factoring.

Federal Fiscal Code and the corresponding Tax Statutes. There are four principal taxes in Mexico that impact lessors and leasing transactions (three if IETU and income tax are consolidated). These include:

- Income tax
- Alternative minimum tax (IETU)
- Vehicle tax
- Value added tax (IVA)

Income Tax

Mexico applies income tax on corporations only at a Federal level. The income tax in Mexico can be traced back to Mexican Finance Secretary Mr. Jose Yves Limantour, who, in 1893, introduced a tax similar to the income tax. President Alvaro Obregon formally introduced a one-year income tax in 1921 with the passage of the Centennial Law, which was later transformed into a permanent tax in 1924.

Today, after successive reforms, the income tax applies to corporations with permanent establishment in Mexico, and is assessed on the net earnings of the company based on worldwide income. This net income is subject to a tax rate of 28%, effective fiscal year 2008. Net income, as in the US, is calculated by deducting from revenues all costs and expenses associated with revenue generating activities, provided that such costs and expenses qualify as legally acceptable deductions. These deductions include, among other things, depreciation of fixed assets, amortization of intangible and deferred expenses, and depletion in the case of mines and similar activities.

Mexican tax law makes a distinction between finance leases and operating leases.

- In the case of finance leases, as defined under Mexican tax law,[12] only the difference between all the payments under the lease and the equipment cost shall be subject to taxes, and the lessor is subject to pay such taxes on such amount of the said difference [13];

[12]Article 15 of the Código Fiscal defines finance leases as the "transaction by means of which a party commits to convey the use and enjoyment of tangible assets at a fixed price, to another party which assumes the obligation to pay by installments a defined or determinable amount to cover the acquisition cost of such assets, the financial charges, and all other accessories, and to adopt at the end of the lease any of the terminal options set forth by the applicable law… In all financial leasing transactions, the corresponding contract must be entered into in writing and express the cost of the asset thereunder and the interest rate agreed or the mechanics for its determination."

[13] Article 9, Ley del Impuesto sobre la Renta, in harmony with Articles 14 and 15, Código Fiscal de la Federación.

- In the case of operating leases (arrendamientos puros), the lessor is deemed to be the legal owner of the asset for tax purposes and therefore, is entitled to depreciate the asset according to the maximum percentages authorized by law.

As examples, motor vehicles can be depreciated 25% annually, computers and other IT equipment can be depreciated 30% annually, office equipment and furniture can be depreciated 10% annually, while alternative energy equipment can be depreciated 100% in the year of acquisition. **Appendix One** contains depreciation rates for various types of equipment.

Mexican entities controlled by US corporations must take into account certain additional issues, such as the application of the thin capitalization provisions for intercompany indebtedness, when the US parent funds the Mexican affiliate.[14] This provision disallows interest deductions corresponding to intercompany debts exceeding three times the average net equity of the Mexican entity. The application of Subpart F of the US Internal Revenue Code concerning the taxability of certain foreign income earned by US controlled foreign corporations, as defined, also must be considered.

All the aforementioned rules are applicable if the finance company has elected permanent establishment in Mexico and chosen to be incorporated pursuant to Mexican law. Mexican law sets forth the criteria for permanent establishment as either having a place in the country, such as a branch, agency, etc., or conducting business through a Mexican based attorney-at-fact.[15] Not all finance companies establish a permanent presence in Mexico, however. In these cases, lessors can operate on a cross border basis.

US-based finance companies operating in Mexico on a cross border basis are subject to Mexican taxes only as far as it relates to Mexican source income. Such foreign companies are not required to file any tax returns and their taxes will be considered paid in Mexico through withholding taxes that must be remitted by the payer, such as the lessee.[16]

The applicable rules and rates for cross border leases either may be based on the tax statute or applicable double taxation treaty. In the case of double taxation treaties, the treaty rules, if more favorable to the taxpayer, shall apply. Mexico has entered into tax treaties with 52 countries, the US being one of them.

According to the general rules of the Mexican tax statutes, cross border operating leases are subject to a 25% withholding tax on rentals, except in the case of containers, ships, and aircraft for commercial use, in which case, the rate

[14] Article 32, Fraction XXVI Ley del Impuesto sobre la Renta (Income Tax Act)

[15] Article 2, Ley del Impuesto sobre la Renta, which conforms to the prevailing criteria set forth in the OECD Model Tax Treaty.

[16] Ibidem, Article 2.

is 5%.[17] For finance leases and loans, the withholding tax is applied to the interest portion of the payment at the applicable rate of 10%. However, there is a reduced rate of 4.9% applicable to finance leases and loans, inter alia, when the borrower or lessee is a SOFOM, SOFOL, or Ancillary Credit Organization.[18]

Under the provisions of the Double Taxation Treaty between Mexico and the US,[19] the only variance to the provisions of the statute is that the rate of 4.9% applies to all bank loans granted by a US licensed bank to any Mexican borrower, regardless of its legal form.[20] In the case of rentals payable on containers, commercial ships, and aircraft, the withholding rate in Mexico is 0% provided that the corresponding lessor pays taxes in the US.[21]

Alternative Minimum Tax (IETU)

Mexican tax law currently is transitioning from an alternative minimum tax based upon a percentage of the taxpayer's total assets, known as IMPAC, to a more complex structure. This new form of alternative minimum tax is called the IETU (Impuesto Empresarial a Tasa Única).

The IETU is a flat tax and is described by Ernst & Young as follows:

> "The purpose of this new tax is for Mexico to increase tax collections, and become less dependent on oil revenues. The tax will be calculated by applying a relatively low tax rate to a broad tax basis. Compared to the initial proposal (19% with a transitory rate of 16%), the IETU rate is now reduced to 16.5% during 2008, 17% during 2009 and 17.5% for subsequent years.
>
> The IETU will replace the Asset Tax. However, while the asset tax is recoverable against future income tax liability if it exceeds income tax in a given year, IETU establishes a real minimum tax which is not recoverable, and will therefore constitute a cost for taxpayers that pay less income tax.
>
> The calculation of the taxable basis for IETU purposes is based on subtracting certain deductions (basically from the purchase of goods, services and payment of rent) from taxable income (from the sale of assets, rendering of services and the rental of property). Dividends, interest, financial derivative transactions and royalties are generally not included in the basis of IETU. As such, these types of income are not

[17] Article 188, Ley del Impuesto sobre La Renta.
[18] Article 195, Fraction II, Ley del Impuesto sobre la Renta.
[19] The United States-Mexico Double Taxation Treaty was initially executed on September 18, 1992, and its latest amendment that provides the current text was executed on September 9, 2002. Such amendment entered into force effective July 22, 2003.
[20] Article 11, Fraction II of the Double Taxation Treaty.
[21] Article 8 of the Double Taxation Treaty.

taxable, nor deductible. There are special rules for financial institutions with respect to the interest income and expense to be recognized.

Based on the initial proposal, the deduction for the purchase of goods was limited to fixed assets and inventory. The final bill now allows for the deduction of any goods, including, for instance, intangible assets. In addition, where the initial proposal excluded all royalties from the basis of the IETU (not taxable (sic) nor deductible), the adjusted bill only excludes royalties between related parties from the scope of the new tax. Lease payments for industrial, commercial or scientific equipment will be subject to IETU."[22]

Table Two summarizes the dynamics of the IETU. The IETU can be reduced by any applicable tax credits under Article 8 of the LIETU. The effects of the IETU on leasing are as follows:

- For finance leases, only the financial margin attributable to rentals shall be treated as revenue.[23] By the same token, lessees are not entitled to deduct the rental paid, since payments of financial transactions are not deductible
- For operating leases or arrendamientos puros, the entire rental is tax deductible for IETU purposes.

Certain aspects of Mexican tax law, such as the VAT, do not exist in the US, although Mexico does have an alternative minimum tax

The Mexican leasing industry is fearful that the IETU, as currently constituted, creates a preference for taxpayers to buy rather than to lease, due to the fact that the whole purchase price is deductible for IETU purposes. The concern in this regard, naturally, is that the IETU will lead to a reduction in financial leasing activities.

Vehicle Tax

Under the law, all new motor vehicles are subject to a tax that is assessed on the purchase price thereof, according to the information in **Table Three**.

[22] Ernst & Young, "Mexican Congress and Senate approve 2008 Tax Reforms", September 24, 2007
[23] Article 3, Fraction II, Ley del Impuesto Empresarial a Tasa Unica (the IETU Act).

Value Added Tax (IVA)

VAT, hereinafter referred to as IVA (Impuesto al Valor Agregado), was introduced to Mexico in 1978.[24] The VAT is a form of sales tax invented in France in the early 1950s that has since been adopted in almost all of Latin America.

Table Two

Determination and Payment of IETU

A. Cash receipts of accumulated revenues

(+) Revenues from sales of goods
(+) Revenues from independent services
(+) Revenues from granting temporary use and enjoyment of goods

B. Authorized deductions

(+) Cash outflows corresponding to acquisition of goods, payment for services, and payment for the temporary use and enjoyment of goods
(+) Tax and other contributions payable by taxpayer (e.g., ISR, IVA, IMSS, cash deposits)
(+) Cash converted amount of merchandise returns received
(+) Cash amount of discounts, rebates, etc.
(+) Legally bound indemnities for damages and penalties
(+) Creation or increase to mathematical reserves (life and pension insurance)
(+) Amounts paid by insurers to insured and loss payees
(+) Cash paid prizes (lotteries, raffles, betting games, etc.)
(+) Donations
(+) Credit losses
(+) Investment in fixed assets purchased since January 1st, 2008
(+) 1/3 of the investments acquired since September 1st through December 31, (limited to 3 tax periods)

A
- B
IETU base
x IETU rate
IETU

[24] Ley del Impuesto al Valor Agregado. Published in the Official Journal of the Mexican Federation on December 29, 1978.

The IVA is imposed on the sales value of the goods and operates as follows:

> "It is generally assumed that the burden of the value-added tax, like that of other sales taxes, falls upon the final consumer. Although the tax is collected at each stage of the production-distribution chain, the fact that sellers receive a credit for their tax payments causes the tax, in effect, to be passed on to the final consumer, who receives no credit. The tax can be regressive (i.e., the percentage of income paid in tax rises as income falls), but most countries have at least partly avoided this effect by applying a lower rate to necessities than to luxury items."[25]

Table Three

Motor Vehicle Tax Rates

From	To	Minimum payment	% of value added to the minimum payment
Mx$	Mx$	Mx$	%
0.01	78,098.87	0.00	2
78,098.88	90,118.61	1,501.96	5
90,118.62	105,138.43	2,252.97	10
105,138.44	135,177.89	3,754.94	15
135,177.90	and above	8,208.66	17

The applicable general rate of IVA in Mexico is 15%,[26] which also is the rate that applies to equipment leasing. This rate can be reduced to 10% if business is undertaken in the border regions (Baja California, Baja California Sur, Quintana Roo, part of the State of Sonora, and the actual borderline regions with the US).[27]

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[25] Value-added tax, Encyclopædia Britannica, 2005. Encyclopædia Britannica Premium Service Feb. 7,2005 http://www.britannica.com/eb/article?tocId=9074747 .
[26] Ley del Impuesto al Valor Agregado, Article 1 .
[27] Ley del Impuesto al Valor Agregado, Article 2.

In terms of the taxable base, the law differentiates between financial leasing, pursuant to the Mexican definition of financial leases, and operating leases or arrendamientos puros.

In the case of financial leases or arrendamiento financiero, the IVA is assessed on the difference between the equipment cost and the sum of the rentals.[28] At the inception of the lease, the IVA paid by the lessor to the vendor upon the purchase of the equipment is claimed by the lessee as an IVA tax credit, since, by entering into a financial leasing transaction, the lessee is treated as a purchaser for tax purposes.[29] This treatment creates a potential timing benefit for lessees in financial leases.

In the case of arrendamientos puros, the IVA is assessed on the whole rental amount.[30] In these cases, it is the lessor, and not the lessee, that is treated as the purchaser of the equipment for tax purposes. The economic impact of this treatment is that, while the lessor pays 15% IVA on the entire cost of the equipment, it only collects 15% of the monthly or periodic rental from the lessee. As a result, depending on the size of the residual position, the amount the lessor collects may be less than the amount of IVA paid.

By applying the normal dynamics of IVA return and payment regulations, the lessor claims as a tax credit the IVA paid in connection with its equipment acquisitions, and debits this amount with the IVA collected from its lessees. Since the tax period for IVA returns is bimestrial, the practical result is that lessors end up with large amounts of credit balances vis-à-vis the revenue service (Hacienda).

This issue negatively affects the leasing industries in countries in which both equipment purchases and equipment leasing are subject to VAT. However, in Mexico, the solution has been consistently applied pursuant to the provisions of the Fiscal Code.[31] The practical reality is that lessors can expect to get their IVA tax credit balance within 90 days following the date when a duly supported application has been filed before the Tax Authorities or SAT (Servicio de Administración Tributaria). This is, obviously, an issue that creates operational expenses and audit risks, and can negatively impact the leasing business in Mexico.

Lease accounting

Mexican corporations and accounting professionals have been basing their accounting on internationally accepted accounting principles for several decades. These rules initially were based on US GAAP for those Mexican companies

[28] Ley del Impuesto al Valor Agregado, Article 5o-C, Fraction VII.
[29] Código Fiscal de la Federación, Article 14, Fraction IV.
[30] Ley del Impuesto al Valor Agregado, Article 23.
[31] Código Fiscal de la Federación, Article 22.

dealing with US banks, or issuing securities in the US capital markets. Later, there was a general disposition to adopt International Financial Reporting Standards (IFRS), or NIFs, as they are known in Spanish.

As further evidence of its commitment to accounting convergence, the Mexican accounting profession adopted, in 2004, the task of incorporating and enforcing IFRS in Mexico. The Mexican Institute of Chartered Accountants (Instituto Mexicano de Contadores Públicos, or IMCP), issued Bulletin D-5, which is the accounting standard for leases. Bulletin D-5 is based on International Accounting Standard 17, Leases.

When it comes to accounting for leases, Mexican accounting standards, like the rest of the world, recognize two types of leases. The classification of these lease types, referred to as financial and operating leases, is based on the economic substance of the transaction, rather than its form.

A financial lease is a full-payout lease, with the ownership of the leased asset transferred to the lessee at the conclusion of the lease term. In an operating lease, just as in the US, the lessor assumes the risk of residual value of the asset, and there is no automatic transfer of the asset at lease-end.

The Mexican accounting tests of Bulletin D-5 for operating leases are, not surprisingly, very similar to the FAS 13 tests, although there are five tests rather than four. A lease is classified as a financial lease if any of the following criteria are met:

- There is an automatic transfer of title at the end of the lease;
- There is a bargain purchase option;
- The lease term exceeds 75% of the useful life of the asset class;
- The present value of the lease payments equals or exceeds 90% of the asset purchase price; or
- The asset is considered a special asset unique to the lessee, and of limited value to another entity.

Leasing associations

The professional leasing associations in Mexico have evolved over time and are currently at a turning point following the deregulatory reforms of mid-2006:

- Originally, all financial lessors that were organized as Organizaciones Auxiliares del Crédito, and had legal licenses to operate as such, were represented by AMAF (Asociación Mexicana de Arrendadoras Financieras, or the Mexican Association of Financial Lessors). After deregulation, AMAF changed its name to AMSOFAC (Asociación Mexicana de Sociedades Financieras de Arrendamiento, Crédito y Factoraje", or the Mexican Association of Leasing, Credit and Factoring) greatly expanding the scope of potential members.

AMSOFAC currently has 30 members, most of which are organized as SOFOMs. AMSOFAC has, over the years, made positive contributions towards the viability of the leasing sector. It also gathers data about the size of the industry. This data, including a complete directory of its members, can be accessed at www.amsofac.org.mx.

- AMEAP, or Asociación Mexicana de Arrendadoras Puras, was founded in 1992, has 23 members, all of whom are dedicated to the operating lease business. This association also has contributed to developing the professionalism of the leasing business in Mexico and currently is working towards creating a professional leasing designation.

- A third association, the Mexican Association of Specialized Financial Entities, or AMFE, although not related to the equipment leasing business prior to the 2006 deregulation, is starting to play an important role in the equipment leasing industry. AMFE has 69 members dedicated to motor vehicle financing, personal (consumer) credit, micro credit, and mortgage financing. These companies are in the process of converting into SOFOMs, as anticipated by the 2006 financial reform.

Most of the 530 SOFOMs in Mexico are not yet represented in an association. A listing of the current SOFOMS can be found in **Appendix Two**.

Current Developments

The 2006 financial reforms were designed to deregulate certain financial services in Mexico. The general assumptions underlying these reforms included:

- The existing players have accumulated enough maturity and incorporated best practices to the point that no further government supervision of these financial players is needed.

- More transparency of information will lead to a process of natural selection in the system. Poorly managed players, or those with ill-conceived business models, will disappear due to lack of resources since the market will naturally exclude them.

- It is very expensive for the government to supervise and regulate financial players when the markets can do it.

- It must be clear that the government must not bear any liability for any financial crises that may emerge among such non-regulated players.

These and other reasons led the Mexican government and congress to pass reforms to the financial laws, which were officially published on July 18, 2006.[32] The most relevant changes are:

- Effective from the date of the reforms, lessors do not need to be incorporated as Credit Ancillary Organizations if they want to undertake arrendamientos financieros. As a result, they do not need to file for a license before the Secretaría de Hacienda y Crédito Público (SHCP) as was required in the past. This aspect of the reforms effectively removed all market access barriers.

- When incorporating as a lessor, it may be useful to adopt the form of a SOFOM. Although this type of company is unregulated, it still has several benefits, such as:

    1) For tax purposes, SOFOMs enjoy the status of financial institutions, and will have access to all the specific tax preferences granted to such financial institutions under Mexican tax law, provided however that such SOFOMs must have at least 70% of their total portfolio represented in financial leases or credit receivables.[33]

    2) Gain on the sale of credit receivables, either originated in a factoring deal or otherwise, shall be treated as interest and not as a capital gain, for income tax purposes.[34]

    3) In the case of funding from foreign (non-Mexican) sources, interest payable by SOFOMs are subject to a withholding tax of 4.9% as opposed to the general 21% applicable to all other interest payments abroad.[35]

    4) In terms of the timing of applicable withholding taxes, if the corresponding negotiable instrument or security is issued by a SOFOM, a securities custodian shall enjoy the privilege of deferring its accrual to the moment of sale of the paper or the due date thereof, as applicable.[36]

[32] The legal reforms amended the following Mexican statutes: Ley General de Títulos y Operaciones de Crédito, Ley General de Organizaciones y Actividades Auxiliares del Crédito, Ley de Instituciones de Crédito, Ley General de Instituciones y Sociedades Mutualistas de Seguros, Ley Federal de Instituciones de Fianzas, Ley para Regular las Agrupaciones Financieras, Ley de Ahorro y Crédito Popular, Ley de Inversión Extranjera, Ley del Impuesto sobre la Renta, Ley del Impuesto al Valor Agregado and Código Fiscal de la Federación.

[33] Ley del Impuesto sobre la Renta, Article 8 as amended by the 2006 reform.

[34] Ley del Impuesto sobre la Renta, Article 9 as amended by the 2006 reform.

[35] Ley del Impuesto sobre la Renta, Article 195, Fraction II (a) as amended by the 2006 reform.

[36] Ley del Impuesto sobre la renta, Article 195 as amended by the 2006 reform.

Establishing a Leasing Company in Mexico

Prior to the deregulation of 2006, there were two kinds of lessors in Mexico, namely arrendadoras financieras, and arrendadoras puras. The first type of company (finance lessors) was regulated and required a license from the SHCP, while the second type (operating lessors) was not regulated. Today, any company or corporation may act as a lessor, provided that it is legally incorporated. A lessor may choose to operate as a SOFOM (currently suggested as a general rule of thumb), in which case it will enjoy the tax benefits of being considered as a financial institution.

Procedures and time required

The time required to obtain permission to operate in Mexico will vary, but the expectation normally is 45 – 60 days. The following procedures and timeframes may be used as a rule of thumb.

- Obtain authorization to use the company name from the Ministry of Foreign Affairs (Secretaría de Relaciones Exteriores). The time to complete this step should be around 2 working days.

- File for registration of the foreign stockholders or shareholders before the Foreign Investment National Registry (Registro Nacional de Inversiones Extranjeras or RNIE), a division of the Ministry of Economy (Secretaría de Economía). No prior authorization is required for incorporating leasing companies, since foreign investment in the leasing business is allowed, although there are other economic sectors that are restricted or subject to prior approvals.[37]

- Execute a deed of incorporation before a notary public and obtain a tax registration number. It is estimated that this step takes around 2 days. As general advice, the company charter and bylaws must be drafted by competent counsel before appearing before a notary public. Executing the deed takes only a day, while the notary may take 1–2 days to deliver the duly legalized deed of incorporation and the tax registration number.

  Certain notaries in Mexico City have signed an agreement with the Ministry of Finance and Public Credit (through the Sistema de Administración Tributaria, or SAT) to grant tax registration numbers. Under this agreement, the notary who issues the tax registration number also must issue the deed of incorporation, and is required to

[37] Ley de Inversión Extranjer, last amendment, July 2006. All restrictions formerly in force for the financial industry were removed in 1999 by the legal reform of foreign investments in Mexico.

have specific software, equipment, and stationery. It is much more efficient to deal with those notaries that have a program in place with the SAT; otherwise, the tax registration number must be obtained directly at the Ministry of Finance (Hacienda) which takes 2-3 weeks.

- Register the deed of incorporation in the Public Register of Commerce (Registro Público de Comercio). This registration takes between two and three weeks.

- File for registration of the company at the Mexican Social Security Institute (IMSS). This process usually takes up to a week to complete. The company also must register with the National Workers' Housing Fund Institute (INFONAVIT) and open individual retirement savings accounts for its employees. This registration is completed at the IMSS office in the company's main domicile in Mexico. Normally, this registration takes 2–5 days but, depending on the Mexican region, may take one week or longer.

- Register the company with the local tax administration (Secretaría de Finanzas del Gobierno del Distrito Federal, in the case of companies domiciled in Mexico City) for payroll tax. This registration should only take one day. The company must register with the local tax administration after registering with the IMSS. Local offices can be found at www.finanzas.df.gob.mx. The tax registration number and the company's postal code are required to complete this registration.

- Provide notice of the opening of the business (establecimiento mercantile) before the local government. This notice is to be given after receiving the tax registration number.

- File registration of the company with the National Business Information Registry (Sistema de Information Empresarial, or SIEM). This mandatory registration with SIEM has been in effect since January 1997.

- File a notice with the National Institute of Statistics, Geography, and Information (Instituto Nacional de Estadistica, Geografia e Informática, or INEGI).

- If the company has been incorporated in the form of a SOFOM, it also must file for registration before the CONDUSEF (Comisión Nacional de Defensa de los Usuarios de Servicios Financieros, or National Commission for the Defense of Users of Financial Services).[38]

[38] Ley de Protección y Defensa al usuario de Servicios Financieros, articles 46 thru 50.

Partnership considerations

There are several reasons why many international equipment finance companies operating in Mexico have entered the Mexican market with a local partner, rather than as a wholly-owned subsidiary. For instance, local partners offer the following advantages that are particularly important in Mexico:

- **Local market knowledge** – Experienced Mexican financiers are familiar with local businesses and their credit histories. Character is a very important issue in terms of credit risk management in Mexico, and character is better assessed with local knowledge regarding companies, individuals, and their background. An experienced Mexican partner will know which prospective lessees are reputable, and those with whom one can safely deal. Given the still limited amount of generally available credit information in Mexico, this sort of knowledge is vital in preventing fraud, and building a financing business with a creditworthy portfolio.

- **Existing business relationships** – Mexican partners may bring an existing portfolio, business relationships, or both, to a partnership. Depending on the desire of the international finance company, this may allow the partnership to begin operations with a critical mass and with a core set of clients.

- **Staffing** – Beginning financing operations with an experienced staff can be an important difference-maker in Mexico. A local partner can provide on the spot knowledge in this regard.

- **Familiarity with the Mexican legal system** – The Mexican legal system, which is based on civil law, is very different from the US legal system, along with some normal US business and legal practices. Non-Mexican lessors that lack local experience with the Mexican legal system will benefit from a partner that is familiar with the local judiciary and legal practices.

- **Speed to market** – An experienced Mexican partner can save time through its knowledge of what products are most popular, what marketing and advertising media are effective, which companies may be the best potential customers, and how to get approvals and credit information faster and more effectively.

- **Language** – This is an important issue in Mexico. Although an increasing number of Mexican executives tend to be bilingual, their ability to speak English still may be limited.

- **Hierarchical interactions** – The Mexican culture is extremely different than European and US cultures, and even is different from many other Latin American cultures. A Mexican subordinate, for example, rarely confronts his or her boss and, if the orders or instructions are not in line with the employee's thought process, one cannot expect the orders to be executed. It generally requires locals to effectively recognize and deal with this cultural trait, otherwise, a perception of underperformance will be created that eventually will lead to unnecessary conflicts.

Capital requirements

The general rule is that lessors do not need to comply with minimum capital requirements under Mexican law. There are however, some practical aspects that must be taken into account, such as:

- The tax implications of the thin capitalization provisions. If the Mexican lessor opts to fund a large portion of its portfolio with intercompany debt, the maximum leverage (debt to equity) allowed is 3:1 in order for loan charges, interest, and expenses to be deductible.

- Credit rating effects for failing to comply with prudential capitalization in line with the Basel Accord guidelines. A SOFOM that fails to keep the same level of ratios or apply best practices, may risk having its debt poorly rated This may occur in spite of the fact that there is neither a legal nor regulatory requirement to comply with any of the Basel II regulations.

Funding and currency considerations

There are multiple funding options available to lessors in Mexico and the Mexican capital markets have been expanding. Since Mexico is an investment grade country, there is a steady stream of foreign financial flows coming into the country, which is to the benefit of the leasing and finance companies.

Many foreign credit institutions are increasingly eager to provide funding to Mexican finance companies and the capital markets currently are trading securities such as commercial paper (usually called certificados bursátiles) and other securities issued by leasing companies. They generally trade at a spread over the reference interest rate which, in Mexico, is called the TIIE (Tasa interbancaria de interés de equilibrio, or interbank equilibrium rate), certified by the Central Bank (Banco de México).

Several lessors, such as Volkswagen Leasing S.A. de C.V., Facileasing S.A. de C.V., and Docuformas S.A. de C.V. are using Mexican certificados bursátiles, as a very effective funding mechanism.

Staffing

Mexico has a strong human capital endowment. This fact is reflected in Mexico's 91.6% adult literacy rate, compared to 82.7% for the world as a whole. Despite a literate and generally well-educated work force, staffing represents an important challenge for equipment finance companies in Mexico. Experienced personnel at all levels, from executive management to administrative staff, can be hired but the talent search must be very comprehensive.

Equipment finance companies also must be cognizant of the domestic picture, including statutes, case law, and prevailing practices. One challenge for leasing and finance companies in this regard relates to profit sharing. Pursuant to the Mexican Constitution,[39] non-management employees must have the right to share up to 10% of their employer's profits before taxes. This percentage may be modified by the Profit Sharing Federal Commission, according to the law and the Constitution.[40]

Based upon the above, lessors tend to organize their labor contracting practices in Mexico by creating a special purpose, service provider company that, in general, enters into business process outsourcing agreements with lessors in exchange for certain compensation. The profit participation percentages would apply to the profit before taxes of the service provider company.

Systems and service providers

The lease and finance service provider market in Mexico is not well developed. There are not, for instance, many success stories concerning leasing information systems providers. This may be due to the legal complexities and the differences in Mexican law and regulations compared to the US practices. As a result, most leasing systems are self-developed.

There are several lease and loan servicing/collections firms and the supply of asset management specialists is growing. Although their skills still need to be developed further, the market is increasingly demanding their services. Tax, accounting, and consulting services also are available from the larger worldwide consultants, although there are few local firms that specialize in leasing. The same holds true for legal services. There is a large array of well-trained attorneys, but there are few with comprehensive leasing knowledge.

Geographical considerations

Mexico officially is referred to as the United Mexican States. It is a republic with more than 106 million inhabitants and over 753,000 square miles of land. It borders on the US in the north, on the Gulf of Mexico, and the Caribbean in the

[39] Mexican Constitution, Article 123, Fraction IX.
[40] Ley Federal del Trabajo (Federal Employment Act), Chapter VII

east. The other boundaries include Belize and Guatemala in the southeast, and the Pacific Ocean on the south and west. Mexico is divided into 31 states, as can be seen in **Figure One**, plus the Federal District, which includes most of the country's capital and largest city, Mexico City.

Most of Mexico is highland or mountainous with less than 15% of the land arable, while about 25% of the country is forested. Most of the Yucatán peninsula and the Isthmus of Tehuantepec in the southeast is lowland, and there are low-lying strips of land along the Gulf of Mexico, the Pacific Ocean, and the Gulf of California.

The heart of Mexico is made up of the Mexican Plateau, which is 700 miles long and 4,000–8,000 feet high. The plateau is fringed by two mountain ranges, the Sierra Madre Oriental (in the east) and the Sierra Madre Occidental (in the west), which converge just south of the plateau. Within the plateau are drainage basins, which have no outlet to the sea and contain some of the country's major cities. In the north the plateau is arid except for irrigated areas and is used principally for raising livestock.

Figure One: Map of Mexico
(including the AMSOFAC leasing portfolio distribution)

Source: Asociación Mexicana de Sociedades Financieras de Arrendiamento Crédito y Factoraje

In the south, the deserts yield to the broad, shallow lakes of the region comprising the Valley of Mexico, known as the *Anáhuac,* which is famous for its rich cultural heritage. South of the *Anáhuac*, which includes Mexico City, is a chain of extinct volcanoes, including Citlaltépetl, (which, at 18,700 feet, is the highest point in Mexico), Popocatépetl, and Iztaccihuatl. To the south are jumbled masses of mountains and the Sierra Madre del Sur. The climate of the country varies with the altitude, so that there are hot, temperate, and cool regions—tierra caliente (up to 3,000 feet), tierra templada (3,000–6,000 feet), and tierra friá (above 6,000 feet).

Mexico's 31 states are Aguascalientes, Baja California, Baja California Sur, Campeche, Chiapas, Chihuahua, Coahuila, Colima, Durango, Guanajuato, Guerrero, Hidalgo, Jalisco, Mexico, Michoacán, Morelos, Nayarit, Nuevo León, Oaxaca, Puebla, Querétaro de Arteaga, Quintana Roo, San Luis Potosí, Sinaloa, Sonora, Tabasco, Tamaulipas, Tlaxcala, Veracruz, Yucatán, and Zacatecas.

Risk Considerations

Any lessor seeking to establish a presence outside the US must carefully consider the unique risks inherent in that jurisdiction. Although the analysis may not be much different than one performs in entering a new market in the US, it is important to remember that the differences in culture, economy, time, and distance magnify the risks, concerns, and operating issues.

Market entry risk

Sovereign risk is a prime example of the type of unique risks that US lessors may face internationally but do not have to contend with at home. This risk can be considered from two different perspectives. One is political risk, which is the likelihood that a country will subject foreign and/or domestic investors to measures that impair the security of enjoyment of life, freedom, and property. In concrete terms, political events consist of political violence and revolution, expropriation, and other factors such as government breach of contracts. The second perspective relates to the timely payment of government sovereign indebtedness.

In terms of protection of property, Mexico, under NAFTA, may not expropriate property, except for a public purpose, and only on a non-discriminatory basis. Expropriations are governed by international law, and require rapid fair market value compensation, including accrued interest. Investors have the right to international arbitration for violations of

Sovereign risk is a prime example of the type of unique risks that US lessors may face internationally but do not have to contend with at home.

this or any other rights included in the investment chapter (11) of NAFTA.

There have been twelve arbitration cases, two of which are still pending, filed against Mexico by US and Canadian investors who allege expropriation and other violations of Mexico's NAFTA obligations. These cases include:

- Bayview Irrigation et al. v. United Mexican States
- Archer Daniels Midland Co. and Tate & Lyle Ingredients Americas, Inc. v. United Mexican States
- Azinian et al v. United Mexican States
- Corn Products International, Inc. v. Mexican States
- High Fructose Corn Syrup Cases: Request for Consolidation
- Fireman's Fund v. United Mexican States
- Robert J. Frank v. United Mexican States
- GAMI Investments Inc. v. United Mexican States
- Marvin Roy Feldman Karpa (CEMSA) v. United Mexican States
- International Thunderbird Gaming Corporation v. United Mexican States
- Metalclad Corp. v. United Mexican States
- Waste Management, Inc. v. United Mexican States

Most of the above cases refer to indirect expropriation, i.e., regulatory actions that purportedly would have the effect of depriving foreign investors of their value. Only one case refers to an outright expropriation. US finance companies, however, may obtain protection against political risks through the Overseas Private Investment Corporation or the Multilateral Investment Guaranty Agency, a World Bank Agency that provides political risk insurance to international investors.

In terms of security, different reports show that personal security is still a work in progress in Mexico. Although business people must be cautious and prudent, overall, the issue of personal security is not one that should discourage companies from doing business in Mexico.

Mexico has been rated as investment grade by the credit rating agencies since January 2002. In September 2007, Fitchratings upgraded Mexico to the top notch of BBB+, and some economic commentators believe it to be only a matter of time until Mexico reaches an A rating.

Regulatory

As mentioned, lessors in Mexico are not regulated. Although the probability of new restrictions being put into place through regulation is very limited, it is not non-existent. Additionally, lessors as providers of financial services, need to be aware that their activities can be monitored and reviewed under the financial services consumer protection act by the Condusef.

Structure

There are several structural alternatives available to foreign leasing companies beyond financial leasing, including arrendadoras puras and SOFOMs. When assessing structural alternatives, most lessors that have been through the process have considered the tax advantages and the possible restrictions to the composition of their portfolio (70% threshold for leases).

Operational risk

Operational risks also must be considered when entering the Mexican market as they have a direct impact on the day-to-day business of the lessor and, hence, its profitability.

Market Risk

Market risks are a fact of life for any business whether it is in the US or Mexico. Interestingly enough, one of the market challenges lessors recently have faced in the US also is present in Mexico – the Mexican market is flush with cash. Even with the financial crisis induced by the subprime meltdown, Mexico still has high liquidity.

Market risks are dependent on the actual demand for capital goods in the economy, which is function of the gross capital formation. **Table Four** illustrates this point as of the end of 2004 (the latest data officially available).

As can be seen, the differences between the capital formation of financial companies and that of non-financial companies indicate a large opportunity for lessors – Mexico still has a tremendous market potential. By the same token, any factors favoring the decision to buy, rather than lease, such as those in connection with the IETU, would lead to a reduction in the effective demand for leases

Table Four

Capital Formation Analysis[41]
(in thousands of Mx$)

Item	Total economy	IPSFLH	Households	Government	Financial companies	Nonfinancial companies
Gross capital formation	1,699,245,176	234,657	374,166,400	144,346,370	6,416,181	1,174,081,568
Gross fixed capital formation	1,514,571,826	234,657	372,503,186	143,752,960	5,898,389	992,182,634
Construction	841,655,621	164,260	361,966,076	124,891,125	833,172	353,800,988
Machinery and equipment	672,916,205	70,397	10,537,110	18,861,835	5,065,217	638,381,646

In addition, US experience illustrates how difficult competition from bank loans can be. This challenge is made even more difficult by the nature of the lessees. Since large companies generally have ample access to inexpensive bank loans, it is difficult to compete against loans with finance leases. The market for small and medium companies is wide open but, unfortunately, there is almost no credit information available to assess the risk, making this segment of the market very risky. There are, however, some banks that specialize in lending to these sectors.

Funding

The funding risks to be faced in Mexico are the same as those in the US, with the addition of currency risk, depending on how the lessor's transactions are denominated. Mitigating the currency risk is the existence of a well-developed hedge market available through the Mexican Derivatives Exchange (MexDer). MexDer offers futures and options contracts that allow investors to fix the price of financial assets (US dollars, Euros, bonds, individual stocks, indices, interest rates) today, to be paid or delivered at a future date. These options allow lessors to plan, hedge, and manage financial risks, as well as to optimize the performance of their portfolios.

The effect of inflation on interest rates also must be considered. Although, to date, the Bank of Mexico has played a strong and active role in controlling

[41] Source: Mexican Institute of Geography and Statistics

inflation, inflation is still a concern given the current worldwide economy. As an example, although Bank of Mexico's target inflation rate last year was three percent., it turned out to be four percent. Since inflation creates potentially upward pressure on interest rates, lessors must carefully monitor the inflation rate.

Credit

Credit risk always is of primary concern whenever a lessor enters a new market. When doing business with listed companies (which, generally, are only the larger companies in Mexico) the best source of information can be found in a firm's filings with the stock exchange. Credit reporting agencies are developed in Mexico, but the quality of the information they provide must not be taken at face value as it is not comparable with the information available in the US.

The system and business environment still leave room for uncertainties in credit performance due to the lack of unique accounting standards, the inefficiency of the courts, and the inefficiency of the public recording systems. Furthermore, as mentioned before, character, which plays a large role in credit in Mexico, is not reported by any credit agency. Most leasing and finance companies rely on informal sources of information and local partner knowledge.

This being said, Mexico has an increasingly effective credit information system. The privately-owned credit bureau, the Buro de Crédito, has proven to be accurate in capturing information about the credit behavior of over 61% of the total active population. More than 42.5 million individuals and over 1.5 million companies are included in this database. In addition, a legal bureau tracks lawsuits against credit applicants, which is a valuable tool for credit evaluations.

Residuals

While residuals already represent a primary risk for many lessors in the US, the operating lease market in Mexico is just starting to reach the point at which lessors are concerned with residuals, other than from a collateral perspective. Residual risk assumption has been extended in the motor vehicle segment, and in the last 10 years, it has been a common practice in connection with information technology equipment.

Information about secondary markets, although still not strong, is improving in Mexico. In addition, the proximity between Mexico and the US and the removal of mobility barriers by NAFTA, make it feasible to apply the same information available in the US to Mexico, with some slight adjustments. As a result, rather than residual setting being a challenge in Mexico for US-based lessors, it can be an opportunity.

Structuring

Mexico is the land of opportunity for those lessors who have structuring capabilities and can get comfortable with the lessees' credit positions. A typical example of structuring has been observed in the last three years in government financing. Up to that date the financial system, overall, has been reluctant to provide financing to government agencies. Banobras (a government-owned bank) usually was the only provider of government financing.

The basic issues that caused companies not to lease or finance equipment to government-sponsored projects were the sovereign credit risk and the issue of corruption. Newly available structures have started to make a difference in this sector. The level of government financing also increased when, utilizing special purpose vehicles (such as the trust or fideicomiso) authorized to act as lockbox accounts to receive government payments, the assignment of government receivables was made legal. Equipment financiers have been able to successfully structure deals of different natures, including syndicated leases and loans, securitizations, and similar arrangements.

Another typical example has to do with the flexibility provided by the legal provisions that regulate arrendamientos puros. There is a lot of creativity involved therein, to the point that such arrendamientos puros are used for motor vehicle financing and other equipment financing. This structure allows step-up rentals, seasonal payments, etc.

Legal/documentation

Documentation also is critical in Mexico. As is well known, good documentation is a very valuable asset for a leasing and finance company. Documentation must be clear, comprehensive, enforceable, and user friendly. Generally speaking, having a good legal counsel with a business mindset is the best solution.

Although documentation can be used to differentiate a lessor from its competition, the market first needs to achieve a certain level of maturity before introducing innovative structures. For example, courts, other authorities, and businesses must be able to understand and navigate on a solid legal basis prior to combining elements of creativity in the transactions.

Collections

Collection experience in Mexico is a subject of debate, with differing views of its efficacy being offered among the different interviews that were conducted. While some of the respondents are satisfied with their collection experience in Mexico, others appear to be discontented.

A recent survey assessing trade risks of emerging economies reported Mexico's slow legal process for debt collection and poor legal protection for creditors as key risks for trade partners. Commissioned by Atradius, a leading global credit insurer and the parent company of Atradius Seguros de Credito, S.A., the companies surveyed that currently sell products or services in Mexico reported that:

- 24% have experienced problems when employing the legal system for debt collection.
- 23% consider the legal system slow and ineffective when collecting against defaulted payments.
- 21% believe there is insufficient information regarding the creditworthiness of potential buyers.

"Mexico's sluggish legal system is a known problem; trying to execute security like personal guarantees and mortgages can take years," said Karel van Laack, Country Manager of Atradius Seguros de Credito in Mexico. "This is one of the many reasons why more and more companies are looking at credit insurance as an effective way to protect against payment problems and earn liquidity."

> "Trade credit insurance protects a company's commercial accounts receivable from unexpected and catastrophic losses resulting from insolvency or "non/slow-payment" by its buyers and from political events that obstruct payment. With little protection against defaulted payment and poor information to qualify buyers, credit insurance, a widely used financial tool in Europe, is gaining international attention for its role in securing transactions with emerging markets like Mexico. In fact, through the first nine months of 2007, the credit insurance market in Mexico grew 31 percent."[42]

Repossession and recourse

The enforceability of the lease agreement is a primary concern in Mexico. The components necessary to enforce leasing transactions include (i) the rule of law, (ii) the efficiency of the legal system, and (iii) a corruption-free environment. The first component, the rule of law, refers to the overall likelihood of prompt payments and voluntary repossessions, and is based on past practices and recognition of the legal obligation to make payments.

The second factor to be considered is the efficiency of the court systems in Mexico, particularly in connection with collection and repossession risks. If negotiations do not succeed, for whatever reason, going to court must be an

[42] InsideARM: Report: Mexican Legal Collection System Provides Poor Protection to Credit... at http://www.insidearm.com/index.cfm?objectID=A3BB7388-FC86-F3D1-77BB439DA940... 3/19/2008

effective alternative. Unfortunately, in Mexico, the police and judiciary do not always understand leasing and its legal processes. The reality is that going to court is not necessarily an efficient alternative for enforcing the lessor's rights, particularly in smaller cities and locales.

According to data from the World Bank, it takes, on average, 415 days to enforce a contract in Mexico, and the corresponding costs are around 32% of the amount collected. Mexico ranks 88th worldwide among the countries as to the efficiency of enforcement processes. It takes at least 38 procedures to enforce a leasing contract.[43]

There are several issues related to leases in this regard. First, a leasing agreement is not deemed authentic, per se, in the Mexican court system, although any promissory note is deemed to be so. Therefore, all leasing agreements must be executed before a notary, or be recognized at court by the lessee/defendant, prior to being accepted as evidence by the courts. Second, in the case of financial leases, the outstanding balance must be proven by a certification issued by a chartered accountant. It is very common that certain lessees challenge the accuracy of such certifications which opens the door to lengthy, expensive litigation and creates an advantage for delinquent lessees.

In general, when repossession involves court intervention, this intervention does not guarantee immediate effectiveness. For example, several tricks have been applied to deceive the officers of the court at the moment of repossession, such as changing the signs at the place where the assets are supposed to be located, or changing the location of the assets, etc.

The bottom line, based on the experience of lessors in this market, is to do everything possible to avoid having to repossess the equipment because it is such a painful and time-consuming process. The solution is to know your customer and perform adequate due diligence.

Corruption is another factor that must be considered in Mexico. **Figure Two** contains a corruption ranking (the CPI score) for the world. Since the higher the ranking, the less corrupt the country, it can be seen that the high risk of corruption negatively affects the enforceability of leasing and asset based financing contracts in Mexico.

When it comes to bankruptcy, however, the law has evolved very positively. Although Mexico was subject to an archaic bankruptcy law, which was a lose-lose proposition for both businesses and their creditors, the law was changed to regulate the so-called Concurso Mercantil.

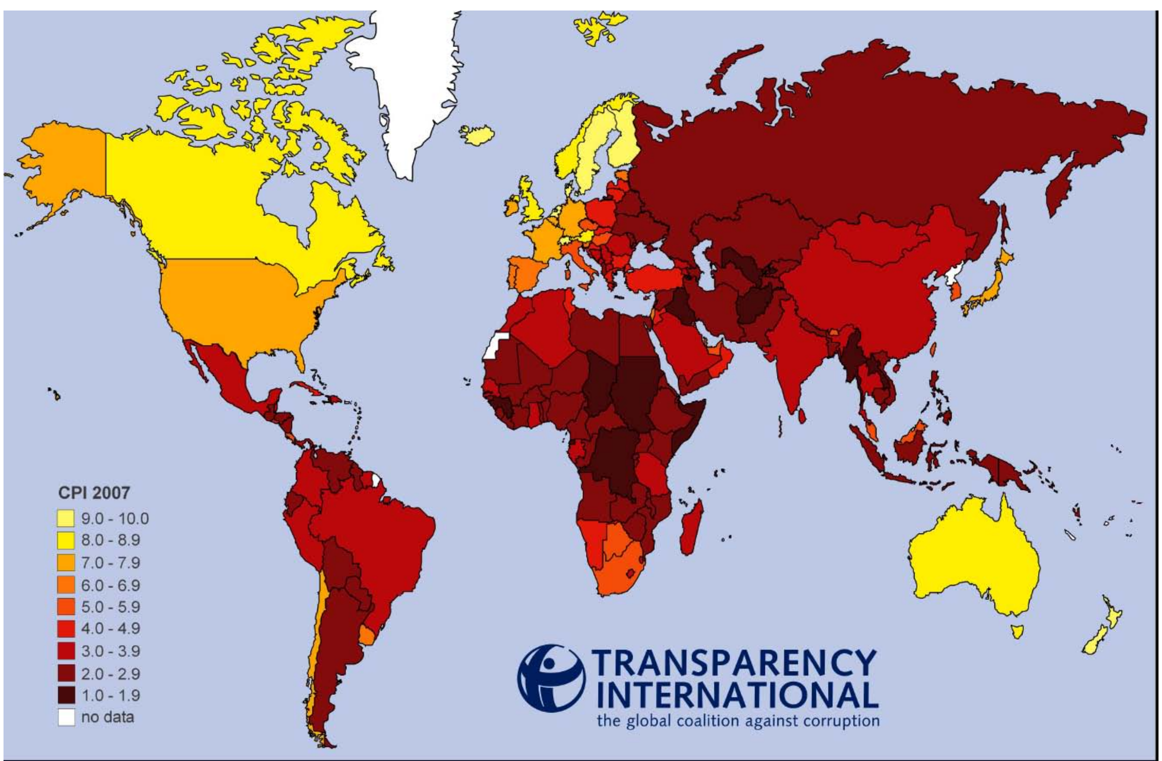
[43] More details available at: http://www.doingbusiness.org/ExploreTopics/EnforcingContracts/Details.aspx?economyid=127, latest visit: March 19, 2008

A Concurso Mercantil is based on the Ley de Concursos Mercantiles (the LCM) enacted in May 2000, which provides for two different and separate bankruptcy proceedings – conciliation and liquidation (quiebra). The initial conciliation phase lasts up to 185 days and can be extended for two, 90-day periods, subject to certain conditions. The purpose of the conciliation phase is to reach a restructuring agreement, or Convenio Concursal, between the debtor and its creditors. A Convenio Concursal, if approved by the Court, has the effect of ending the Concurso Mercantil.

The LCM provides for specific creditor voting rules. Dissenting unsecured creditors are bound by a court-approved agreement. If the debtor does not reach an agreement with its creditors within the statutory time period, the debtor is put into quiebra, the phase during which the debtor's assets are liquidated.

The advantage of the LCM for lessors is that a lessor may separate the leased assets from the estate of the debtor and receive payment of accrued rentals as operating expenses during the Concurso Mercantil proceedings. Lessor experiences dealing with Mexican bankruptcy law during the last eight years have been increasingly positive.

Figure Two
Corruption Propensity Index



Any finance provider in the Mexican market faces wide competition from local as well as cross-border players. Many international banks and institutions provide equipment leasing and financing on a cross border basis. Most of them are favored by the low withholding tax rate on interest which applies to both cross-border loans and leases (generally 4.9%). In addition, most of these cross-border lenders use Eximbank guaranties. It is difficult to quantify the volume of deals that are financed by cross-border lenders and lessors, but it is reasonable to assume that the number is relatively high.

The current competitive landscape in Mexico consists of Organizaciones Auxiliares del Crédito (OAC), which are not yet transformed into SOFOMs, SOFOMS, and arrendadoras puras. There are still 12 lessors organized as OACs. These lessors must be converted into SOFOMs or be dissolved by July 18, 2013, which is the date when, if no action is taken by their shareholders, they will be dissolved ipso jure.

The following is the list of lessors operating as OACs:

- A.F. Ve Por Mas
- A.F. Banobras
- A.F. Banamex
- A.F. Afirme
- Value Arrendadora
- A.F. Banorte
- A.F. Mifel
- A.F. Associates
- A.F. Paccar
- A.F. Atlas
- Multivalores Arrendoras
- A.F. ING
- A.F. GE Capital
- A.F. Navistar

Today, there are 530 SOFOMs, a large percentage of them will do so. Appendix Two contains the full list of SOFOMs. Since arrendamiento puro activity always has been unregulated, it is assumed that there are a significant number of these companies in the market that are less visible, and/or not associated with an industry association such as AMEAP. Although there are more arrendadoras puras than official members of AMEAP, most of the active players in this category do belong to this association. **Table Five** lists the 26 most active arrendadoras puras.

The Mexican market is a highly competitive market, therefore, any US finance company coming into Mexico must bring a very solid competitive advantage. If not, the competitors will make certain the new entrant will not meet its business expectations.

Table Five

Most Active Arrendadoras Puras

Arrendadora Axa	Docuformas
Arrendadora Central Leasing	El Camino Resources Mexico
Arrendadora Comercial de Celaya	Facileasing
Arrendadora del Soconusco	GE Capital CEF Mexico
Arrendadora y Soluciones de Negocios	Hewlett Packard Operations Mexico
Arrendamlentos Operativos Impulsa	Masterlease
Arrendomovil	Operadora de Servicios Mega
BMW Leasing de Mexico	Pafcar Arrendadora
Credicor Mexicano Arrendadora	Pure Leasing
CSI Leasing Mexico	PcRent, by Recycle Tech
Corporacion Metropolitana de Arrendamientos	Unirenta Arrendamientos
Drive Power Leasing	

Source: AMEAP: Asociación Mexicana de Arrendadoras Puras

Financial risk

The leasing and financing business, by definition, has a high degree of risk associated with it. Understanding those risks, in the context of the Mexican market, is an essential element of expanding into this market.

Interest rates

Forward contracts are readily available in Mexico to hedge against interest rate movements for those lessors borrowing in local currency. The two major current issues related to interest rate risk are (1) the gap between interest rates in Mexico and the US, and (2) the relative strength of the banking system.

The interrelationship between the US and the Mexican capital markets grows closer day by day. Any event in the US, whether it is a lowering of interest rates, or vice versa, is going to impact Mexico, since capital may freely travel among the NAFTA countries.

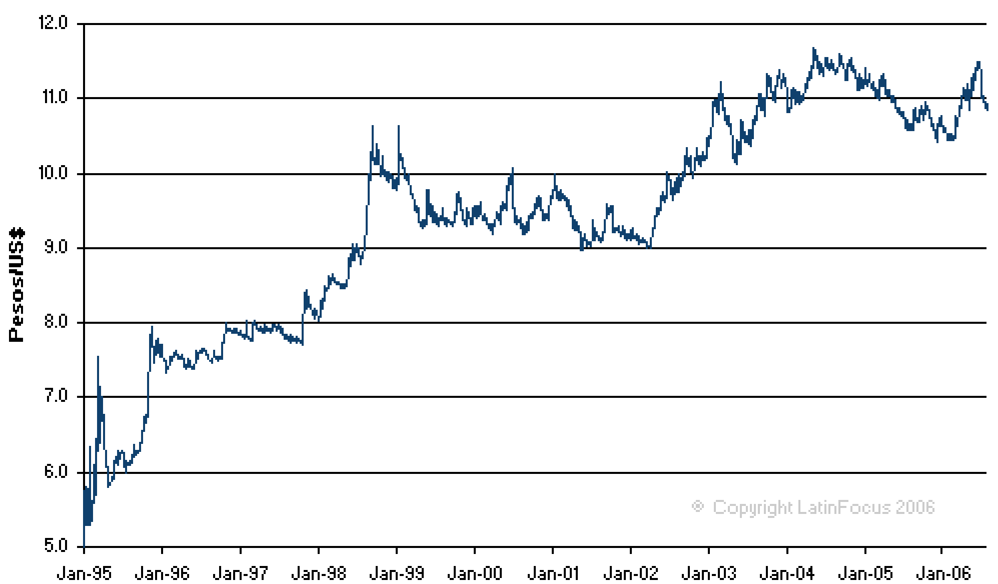
The health of the Mexican banking system is another important factor that impacts interest rates. No major bank turmoil has occurred since the crisis of 1982, and it seems that the regulators have enforced prudent practices based upon the Basel Accord. A banking crisis of major proportions in Mexico is considered highly improbable at this time.

Currency

Lessors and equipment financiers face currency risk not only in their ongoing operations if the rentals are denominated in local currency, but also at end of lease. At the time of liquidation, for example, they will need to convert the proceeds in local currency into a hard currency such as US dollars or Euros.

On a transactional level, Mexican peso hedges are available. On a more global basis, the Mexican peso floats. **Figure Three** shows the recent exchange rate history of the Mexican peso versus the US dollar.

Figure Three
Mexican Peso/USD Exchange Rate



In general terms, it can be argued that the Mexican peso has a predictable instability. The Economist indicates that the Mexican peso can be undervalued vis-à-vis the United States dollar by around 17%. This means that the odds of devaluation are very limited while the larger probability is a revaluation of the currency.

An interesting legal feature to note is that, under the Mexican Monetary Act, lessors can agree with lessees that rentals should be payable either in Mexican pesos or in any other currency. However, for the stipulation of payment in foreign currency to be valid, the payment place must be made out of the Mexican Republic.[44]

Profit repatriation

The remittance of profits is fairly straightforward. Profits can be repatriated and dividends to non-resident shareholders are not taxed. The so-called dividend tax at the corporate level, which is sometimes applicable to the corporation, will not be levied if the dividend is paid from the net taxed profit account. There are no imposed limitations on capital remittances when operations are terminated.

Mexico has open conversion and transfer policies as a result of its membership in NAFTA and the OECD. In general, capital and investment transactions, remittance of profits, dividends, royalties, technical service fees, and travel expenses are handled at market-determined exchange rates. Peso/dollar foreign exchange is available on same day, 24-, and 48-hour settlement bases, with most large foreign exchange transactions being settled in 48 hours.

In June 2003, the US Federal Reserve Bank and the Bank of Mexico announced the establishment of an automated clearinghouse for cross-border financial transactions. The International Electronic Funds Transfer System began operating in 2004 and commissions on transfers through the system have dropped rapidly.

Tax

As mentioned, Mexico does not impose taxes on dividends to foreign investors, although there is the possibility that this may change. If this does happen, the double taxation treaties in force would prevail over any new tax law. All these treaties contain provisions that address taxes applicable on dividends. In the case of the Double Taxation Treaty between Mexico and the US, the maximum tax rate on dividends would be 5% if the US shareholder has more than 10% of the capital of the Mexican company. The rate is 10% in all other cases, provided, however, that both the US and Mexico agree to avoid double taxation. Therefore, if the tax rate applicable to dividends in the US is higher, then all taxes paid in Mexico on dividends will be admissible in the US as a foreign tax credit, pursuant to the Treaty[45].

[44] This has been a very clever interpretation of Article 8 of the Monetary Act, which requires that all payments made within the Mexican Republic be made in Mexican pesos. *A contrario sensu,* if the obligation is payable out of Mexico, it can be expressed in foreign currency. The banks have taken advantage of this situation by opening bank accounts in foreign currencies that are deemed to be held abroad.

[45] Articles 10 and 24 of the Double Taxation Treaty between the United Mexican States and the United States of America, dated September 18, 1992.

Capital investment

Repatriation of capital is not restricted in any way. Repatriation of capital may come from either the proceeds of the liquidation of the company or the proceeds of the sale of the stock.

Exit strategy risk

The process of ceasing operations in Mexico is similar to that in most other countries and there are no legal or regulatory issues that would threaten the process. This process involves filing documents with the appropriate government authorities, submitting audited financial statements and bank records, settling with partners, and paying any debts and taxes due.

If the exit strategy is the byproduct of a negotiation of stock with Mexican partners, it is suggested that the negotiation strategy must consider the cultural aspects already mentioned.

Conclusion

Mexico represents a potentially excellent opportunity for those in the international equipment leasing and financing industry. The economy is expanding rapidly, the equipment financing business is well-established, and market entry and exit are relatively simple, especially compared with most other emerging markets.

The ability to manage risk effectively – particularly credit, recourse, currency and residual risk – is the main issue on the minds of most executives considering expansion into Mexico. Local market knowledge is critical to the ability to conduct effective due diligence during the credit process, because the availability of reliable credit information, while better now than several years ago, still lags behind most American/Canadian and Western European countries. Many firms that have chosen to enter the Mexican market have demonstrated ways these risks can be managed; lessors have used local partners, vendors, product resellers and distributors, and others with local knowledge to help in the credit evaluation process. Hedges may help in the management of currency (and interest rate) risk.

In the pages that follow, four different companies share their thoughts and experiences with their decisions to enter the Mexican leasing and financing market. Each company reviews how it decided to enter the market, its business model, its operational experiences to-date, and other thoughts. The authors hope these case studies will be useful to readers desiring more practical, experiential information on the Mexican equipment financing market.

Case Studies

Navistar Financial Corporation

Company Background

Navistar Financial Corporation (NFC) is the financial arm of International Truck and Engine Corporation, one of the world's largest manufacturers of diesel engines and chasses for buses and trucks. NFC is a wholly-owned subsidiary of Navistar International Corporation, Inc. headquartered in Warrenville, Illinois, with over 16,000 employees in more than 40 countries around the world.

Description of Financing Operations in Mexico

- **Organization –** NFC started its permanent business in Mexico in 1997. The regulatory segmentation of financial services at that time forced Navistar to create three separate organizations in order to meet the needs of its clients in the Mexican transportation industry. These companies were Arrendadora Financiera Navistar, S.A. de C.V. Organización Auxiliar del Crédito (a financial lessor), Servicios Financieros Navistar, S.A. de C.V. (SOFOL), or Sole Purpose Financial Corporation, and Navistar Comercial S.A. de C.V., an arrendadora pura (operating lessor).

  NFC's main purpose is to support the development of the International brand's (formerly International Harvester) commercial programs through its Mexican dealers' network. NFC finances the acquisition of the International brand of trucks and buses, as well as financing units and spare parts inventories of the dealer network. After the 2006 de-regulation, Navistar Financial Mexico merged the SOFOL and its arrendadora financiera into a SOFOM, now known as Navistar Financial, S.A. de C.V. SOFOM E.N.R.

- **Employees –** The company started operations in November 1997 with six employees and one office in Mexico City. Today the company has 103 fulltime employees working in Mexico City under three regional managers (sub-directores). These managers are responsible for branches in Mexico City, Guadalajara, and Monterrey, along with three field offices. The field offices in León, Veracruz, and Guadalajara, only provide customer service but report up to the corresponding regional office. These offices support 85 sales channels throughout the Mexican territory.

Total headcount, including 17 temporary workers, is 120. Staff turnover in 2007 was 8.9%, and approximately 6.9% was due to bad performance. Overall, personnel have an average of 3.4 years tenure with the company. Although staff turnover has increased, the company's business strategies focus on efficiency and operational improvements.

- **Business Model –** The company originates business through Navistar's network of distributors and resellers, providing financing to the channels' end users. Although the focus of financing used to be new equipment, the company recently initiated a program to finance used equipment from the secondary market. Pricing is generally competitive and revenues are mainly generated by financing spreads.

- **Credit –** After experiencing ten years of positive payment practices, very few credit losses, and well-managed delinquencies, NFC granted the Country Manager (who is a Mexican national) up to US$5 million credit authority. The result of this action is that most of the deals are credit approved in Mexico. Larger deals require the approval of Navistar USA's CEO. Usual credit turnaround times are close to 24 hours.

- **Funding –** NFC has used a very effective funding strategy, taking advantage of its access to capital markets both in the US and in Mexico. During 1998, NFC obtained its first credit line with a Mexican bank worth US$100 million. In 2004, Arrendadora Navistar issued and placed the first Mexican domestic securitization of loans of transportation equipment for US$50 million.

  In 2005 NFC placed its first Mexican peso-denominated commercial paper issue of US$50 million, and, in 2006 it placed the first securitization of transportation leases and loans, worth US$150 million. This latest securitization was offered both in Mexico and in the US. NFC has made extensive use of its ability to tap the best of both worlds in funding by garnering the resources of both the US and Mexican capital markets.

Decision Process to Enter the Mexican Leasing Market

- **Drivers –** The openness of the Mexican market that started with NAFTA, combined with the large sales volume generated by its parent company in Mexico, led to the need to create a Mexican captive.

- **Decision Process –** When the North American Free Trade Agreement (NAFTA) was put in place at the end of 1993, Navistar International started to study the Mexican truck financing market. It later decided to enter this market in order to cash in on the benefits of NAFTA. Once Navistar established the Mexican operation for its manufacturing company, its dealers and distributors asked that it establish a captive financial company.

In order to meet Navistar's clients' expectations, and considering the regulatory framework of the financial system at the time (1997), NFC in Mexico conducted business through three companies, Arrendadora Financiera Navistar (financial leasing), Servicios Financieros Navistar (SOFOL - financial services), and Navistar Comercial (operating leasing). In September 2007, Arrendadora Financiera Navistar and Servicios Financieros Navistar became Multiple Purpose Financial Companies.

As unregulated entities, these companies can provide greater flexibility to their operations and, hence, greater benefits to the customers. Nowadays, the company offers saving plans to small entrepreneurs in the transportation business (cuenta camionera), floor plan financing to Navistar's dealer network, insurance services, and equipment financing.

Experiences

- **Volumes –** As of May, 2008, NFC had a portfolio of more than Mx$7.3 billion (Mexican pesos), which is approximately US$705 million. Of this total, 65% consists of retail credit to transporters and the balance is represented in channel and key industry vendor financing. Over the last ten years, the company has financed the acquisition of more than 37,000 new units, for a value of over Mx$21 billion.

- **Bad debt and delinquencies –** The company reports a very satisfactory portfolio performance. NFC has one of the stronger credit portfolios in the Mexican financial system, where past due accounts range between no more than 1 to 1.25% of the entire portfolio. Credit requests usually have a 92% approval rate.

- **Personnel –** NFC was selected in 2007 as one of the "Best Companies to work for in Mexico", awarded by the "Great Places to Work Institute in Mexico". The company has not faced major difficulties in finding trained and qualified personnel for its financial business.

- **Other Considerations**

    - After five years in operation, NFC achieved a relatively high level of efficiency, with operating expenses representing between 2.2% and 2.6% of the total portfolio. This efficiency, solid credit experience, and the effective use of the resources in the domestic and cross border capital markets have ensured a sustainable operation in Mexico.

- On April 2008, Standard & Poor's Ratings Services raised its ranking on Navistar Financial S.A. de C.V. SOFOM E.N.R. (NFCX) to STRONG as a commercial loan servicer in the Mexican market.

- "The STRONG ranking is based on NFCX's highly experienced management team, its experienced staff, a robust and highly automated servicing platform, an efficient use of technology, detailed and comprehensive policies and procedures, very good processes for collections, and excellent procedures for key servicing activities.
- Additionally, NFCX has strict internal controls for processes and procedures, effective risk management and compliance methodologies, and maintains good programs for talent development and ongoing training.

- Key operational attributes include:

    - NFCX's management team and professional staff have a high degree of industry knowledge and expertise

    - NFCX maintains detailed, comprehensive, and easy to understand policies and procedures

    - NFCX has excellent computer systems that create a highly automated servicing environment;

    - NFCX provides excellent customer service, which is focused on client satisfaction and feedback."

US Manufacturer-owned Captive Lessor

Company Background

The company is a wholly-owned subsidiary of a very well established equipment manufacturer in the US. This captive has more than 25 years of existence and has total assets of over US$30 billion, with offices and subsidiaries located not only throughout the Americas, but also in Asia, Australia, Latin America, and Europe.

Description of Financing Operations in Mexico

- **Organization –** This captive finance subsidiary of a major construction and mining equipment manufacturer entered Mexico in 1995 and began operations by organizing three different companies. These companies included a leasing company (arrendadora financiera), a finance company, and a factoring company. After the deregulation of 2006, the three companies merged into a single SOFOM, which currently operates the whole business.

- **Employees –** The company started operations in 1996 and currently has 48 employees working in the company's offices in Monterrey, managing a portfolio of around US$1 billion.

- **Business Model –** The company provides support to all the vendor's distributors by offering both floor plan financing and providing end user financing through loans and leases. Leases represent 70% of the total portfolio. Revenues are based upon financial spreads on the deals, and occasionally, some fee generating activities. Currently, the company does not retain residual positions.

- **Credit –** The company has a very efficient communication system with its parent company. The local management has authority to approve credits between US$1 to US$5 million, and larger transactions are approved with the captive's participation. Turnaround times are very short.

- **Funding –** The company uses the domestic capital market (Mexican pesos) for up to 15% of its total funding sources, while the captive provides a corporate guaranty. Funding in US dollars is made through the captive's treasury which raises funds in the US markets at very competitive costs. The captive hedges the affiliate's foreign currency exposure.

Decision Process to enter the Mexican Leasing Market

- **Drivers –** The openness of the Mexican market after NAFTA was the major driver, along with the need to provide financing support to the manufacturer's distribution channels and end users.

- **Decision Process –** The manufacturer that is the captive's sole shareholder has been in the Mexican market for over 75 years, but decided to analyze the feasibility of entering Mexico in a financing capacity when NAFTA became effective at the end of 1993.

  Given the regulatory framework of the financial system at the time, the captive in Mexico decided to operate through three totally different companies. These companies included an arrendadora, a finance company for credit operations, and a factoring company. During 2007, as a result of the new regulations, the three companies consolidated operations into one entity, becoming a Multiple Purpose Financial Company (SOFOM). A SOFOM, which is an unregulated entity, provided greater flexibility to its operations.

Experiences

- **Volume –** The company offers competitive financing, satisfies the needs of its customers, and supports the vendor and its dealers. Today, it has a portfolio greater than US$1 billion. The captive serves, from its base in Mexico, customers in Central America, the Caribbean, Colombia, Venezuela, and Ecuador

- **Bad Debts –** The mining and construction industries are very cyclical markets. When mining and/or construction is very active, just as in the US, the portfolio tends to perform well and equipment is easily disposed in the secondary market. During the period between 1998 through 2002, construction and mining were depressed in Mexico, however, and delinquency in the company reached levels of over 8%. The company did not experience any credit losses, in spite of the rise in delinquencies. After the bankruptcy law reform of 2002, and the recovery of the construction and mining industries in Mexico, the company was able to bring its portfolio back to normal delinquency levels. Nowadays, total delinquency is under 1%.

- **Personnel –** The company has 85 fulltime employees who manage a portfolio of over US$1 billion. Operating expenses of the company are controlled and the company believes it is operating at a high level of efficiency.

- **Other Considerations –** Even though the company started its operations in Mexico City, over the years, it decided to move its headquarters to Monterrey in the Mexican State of Nuevo Leon. This decision was based upon the fact that mining and construction industries are generally located closer to Monterrey, and the educational system in Monterrey is top quality.

US Manufacturer-owned Captive Lessor

Company Background

The IT captive, headquartered in the US, has offices in more than 40 countries. With a global leasing and finance portfolio of over US$8.3 billion and over 1,300 employees worldwide, this captive effectively serves the customer financing needs of its parent company

Description of Financing Operations in Mexico

- **Organization –** This captive leasing company, which specializes in IT, decided to enter the Mexican market without filing for a financial license. It is focused on providing operating leases (arrendamiento puros) to serve its parent, which is an original equipment manufacturer. The captive has evolved to the point where it now not only finances its parent's products, but also the products of other original equipment manufactures (up to 20%).

- **Employees –** The company has been in the Mexican market for the last 15 years .The company currently has 50 employees to manage a portfolio forecasted to be around Mx$300 million (approximately US$29 million).

- **Business Model –** The company focuses in the middle market and enterprise customers for IT equipment and solutions. A large portion of its portfolio is originated by the parent's distributors and re-sellers. Neither consumer nor SMB financing are provided. Revenues come from financing spreads and blind discounts and other fees paid by the manufacturer.

- **Credit –** The credit authority for the Mexican team is US$1.5 MM. It is necessary to obtain approval from headquarters for transactions beyond this amount.

- **Funding –** All the funding required by the Mexican affiliate comes from Treasury at the parent.

Decision Process to enter the Mexican Leasing Market

- **Drivers –** The openness of the Mexican market resulting from NAFTA, plus the opportunities created by the inability of the local financial system to provide IT financial solutions due to the aversion of local players to take on technological obsolescence risks.

- **Decision Process –** The equipment manufacturer's Mexican subsidiary used to provide direct financing to its Mexican customers. Later on, when the captive started operations in 1993, the captive decided to provide operating leases, or arrendadora pura, in Mexico.

Experiences

- **Volume –** The Mexican captive has experienced an annual growth of over 20% during the last few years. In 2008, the company expects to achieve a portfolio size of Mx$300 million. From the Mexican offices, the captive coordinates its operations in Central America, the Caribbean, Colombia, and Venezuela.

- **Bad Debts –** The company reports that delinquency has never represented more than the 5% of the total portfolio, with average delinquency between 1.5 and 2%. No credit losses have been experienced.

- **Personnel –** It is easy to hire qualified and trained people for the financial and leasing industry in Mexico. This captive never has had a problem in this regard.

- **Other Considerations –** With the new deregulations, the leasing business is very flexible. The captive company has the expectation that the competitive environment will better reward players that are stronger in asset management than those which are not.

Independent Leasing and Finance Company

Company Background

This independent equipment leasing and finance company, although headquartered in the US, has more than 1 million customers in over 50 countries. With a global leasing and finance portfolio of over US$75 billion and more 10,000 employees worldwide, this is one of the largest independent leasing and financing companies serving the customer financing needs of equipment vendors.

Description of Financing Operations in Mexico

- **Organization –** This independent leasing company, which specializes in vendor financing, decided to enter the Mexican market by creating a financial lessor (arrendadora financiera) and an operating lessor (arrendadora pura). The financial lessor was organized with a financial license granted for Organizaciones Auxiliares del Crédito back in 1995. This company was transformed into a SOFOM in response to the 2006 deregulation.

- **Employees –** The company has 53 fulltime employees. As in the other case studies, all these employees are engaged through an outsourcing service provider.

- **Business Model –** The business model is based upon serving the company's global vendor customers. Revenues are derived from financing spreads, fee income, gain on sale from syndications, and residual upsides, as the company does retain certain residual risks.

- **Credit –** The credit authority for the Mexican team is US$3 million. Transactions between this amount and US$10 million require the regional Latin American Credit Manager's signature. The parent's credit committee must approve transactions over this amount.

- **Funding –** All the funding required by the Mexican affiliate comes from the parent company treasury. The company hedges funds raised in US dollars and provides funds in Mexican pesos to the Mexican subsidiary.

Decision Process to enter the Mexican Leasing Market

- **Drivers –** The openness of the Mexican economy due to the implementation of NAFTA and the increasing importance of equipment sales in Mexico, particularly in the IT Industry.

- **Decision Process –** NAFTA certainly was one of the main driving forces for this company to enter the Mexican market, but perhaps the most important driver were the needs of the strategic vendors of this leasing and finance company. These vendors required financing for their customers. Based on this need, the company was incorporated around 1995 and fully staffed between 1996 and 1997.

Experiences

- **Volume –** The Mexican captive currently originates more than US$180 million per year. The managed portfolio exceeds US$425 million and the business is growing. This company developed a unique capability to provide IT financing to the Mexican government with very positive results.

- **Bad Debts –** The company reports delinquencies under 1.5% of the total portfolio for the past two years. While credit losses have occurred in the past five years, the past two years have generated recoveries to the point that the actual credit losses have netted close to zero. The company applies very strict reserves and charge-off policies. Also contributing to this result is that the time necessary to recover bad debts (due to the pace of the court system) and resell repossessed equipment takes longer than the established period to charge off the account.

- **Personnel –** It is easy to hire qualified and trained people for the financial and leasing industry in Mexico. This affiliate has had access to qualified personnel, which has created another problem – since this company is known for having highly-qualified leasing and financing employees, others in the market tend to recruit their personnel from this company's staff.

- **Other Considerations –** Competition is growing in Mexico and hitting a required ROE is a big challenge. Although this company must produce a minimum ROE to its shareholders, which affects its pricing, it also has the challenge to develop competitive advantages based upon differentiation and not pricing. So far, this company is succeeding and prides itself on being one of the best financing alternatives for its vendor customers.

Appendix One
Tax Depreciation Rates

Buildings – 10% for archeological or historic property and 5% for all others
Rail – 3% for train fuel pumps, 5% for railways, 6% for rolling stock, 7% for railway levelers, and all other machinery to work on railways, 10% for communication equipment, signaling, and telemetry
Furniture and office equipment – 10%
Ships – 6%
Aircraft – 25% for aircraft dedicated to agriculture fumigation, and 10% for all other
Motor vehicles including cars, buses, cargo trucks, forklifts, and vans – 25%
Personal computers, servers, printers, scanners, plotters, bar code readers, storage units, and computer network devices – 30%
Molds, matrixes, and tools – 35%
Animals, plants and tax registration machines and equipment – 100%
Telecommunications - 5% for transmission towers and cable, except fiber optics, 8% for radio systems, 10% for transmission equipment, 25% for central telephony equipment, and 10% for all other
Satellite communications – 8% for equipment in space, and 10% for earth based equipment
Machinery and equipment for power generation from renewable sources – 100%
Alterations and improvements to fixed assets to allow their use by disabled persons – 100%
All other equipment, based upon the economic activity in which the asset is to be used
5% for electricity generation, distribution and connection; grain grinding; sugar and byproducts manufacturing; edible oil manufacturing; sea, river and lakes transportation
6% for primary metal manufacturing, tobacco products manufacturing, natural coal byproducts
7% - pulp, paper and similar manufacturing; oil and natural gas extraction and production
8% for motor vehicle and parts manufacturing; rail and ship manufacturing; metal, machinery and professional tolling manufacturing; food and beverage manufacturing, except grain, sugar, edible oils and byproducts
9% for leather processing and manufacturing of goods, chemical, petrochemical, pharma-biological products manufacturing, rubber and plastic products manufacturing, printing, graphic and publishing
10% for electric transportation
11% for textile manufacturing, dying and related manufacturing
12% for mining industry; aircraft manufacturing and land transportation of cargo and passengers
16% for air transportation; broadcasting
20% for restaurants
25% for building and construction; agriculture, livestock, silviculture and fishing
35% for research and development equipment for technological uses
50% for manufacture, assembly and transformation of magnetic components for hard drives and electronic cards for the computer industry

Appendix Two
Current SOFOMs
(as of March, 2008)

Company name	State	Year established
+Impulso	Jalisco	2008
Abancom	Sinaloa	2008
Abastecedora de Servicios de Puebla	Puebla	2008
Accedde	Jalisco	2008
Aceleradora Adrenalina	Mexico	2008
Administradora de Préstamo Fácil	Federal District	2008
Afin Gana	San Luis Potosi	2008
Afipyme	Michoacan	2008
Afiver	Federal District	2008
AGL Empresarial	Jalisco	2008
Agora Recursos	Federal District	2008
Agricam	Chihuahua	2008
Agro Pecan Inversiones	Chihuahua	2008
Agrocapital del Noroeste	Sinaloa	2008
Agrocapital del Norte	Durango	2008
Agrofinanciera Corerepe	Sinaloa	2008
Agrofinanciera DG	Campeche	2008
Agrofinanciera	Baja California	2008
Agroparsa	Chihuahua	2008
Agrorefaccionaria El Samali	Sinaloa	2008
AIG Universal	Nuevo Leon	2008
Alcance Financiera	Federal District	2008
Aliados Financieros de México	Chiapas	2008
Alianza Financiera Social	Chiapas	2008
Alterna Soluciones	Federal District	2008
Alternativa 19 del Sur	Chiapas	2008
Alternativa Financiera Social	Chiapas	2008
Alternativas de Capital para el Desarrollo	Nuevo Leon	2008
Ámbito Productivo Rural	Federal District	2008
Amer-Fin	Baja California	2008
American Lending Group Services	Federal District	2008
Análisis, Filtro e Índices	Federal District	2008
Ápex Servicios Financieros	Federal District	2008
Apoya al Minuto	Federal District	2008

Apoyo a Tu Economía	Federal District	2008
Apoyo Cotidiano	Federal District	2008
Apoyo Patrimonial Versátil	Federal District	2008
Apoyo Social Valladolid	Federal District	2008
ARA Capital	Federal District	2007
Arfinsa	Nuevo Leon	2008
Arquitectos en Proyectos Económicos	Federal District	2008
Arrendadora de Naves del Golfo	Campeche	2008
Arrendadora Financiera del Transporte	Federal District	2008
Arrendadora Financiera Navistar	Federal District	2008
Arrendadora Ingra	Michoacan	2008
Arrendadora Logistica	Mexico	2008
Arrendadora y Soluciones de Negocios	Jalisco	2008
Arrendamientos Operativos Impulsa	Jalisco	2008
Asecam	Federal District	2008
Asesoría y Consultoría en Gestión Empresarial ALSA	Jalisco	2008
Asistencia Productiva para el Sector Rural	Puebla	2008
ASP Consultores & Representación	Baja California Sur	2008
Ategra Arrendamientos Integrales	Quintana Roo	2008
Attendo	Nuevo Leon	2008
AUQUITI	Federal District	2008
Auropresto	Baja California	2008
Auto Ya	Jalisco	2008
Autofinanciamiento Plusvalía	Jalisco	2008
Avance y Fortalecimiento Integral	Chihuahua	2008
Axefin	Federal District	2008
Axis Capital	Federal District	2008
Ayuda a las Finanzas Familiares	Nuevo Leon	2008
Baktun 0	Federal District	2008
Banketxe	Federal District	2008
BanPuebla	Puebla	2008
Base Capital	Nuevo Leon	2007
BBM Credit	Coahuila	2008
BJ Servicios	Tabasco	2008
BM Tankers	Federal District	2008
BPF Finance México	Federal District	2007
Buffet Agropecuario del Sureste	Yucatan	2008
Buró Nacional Inmobiliario	Federal District	2008
Business & Capital	Coahuila	2008
C Capital Global	Guanajuato	2008

C.A. Pyme	Federal District	2008
Calyon México Productos Financieros	Federal District	2008
Capexchange de México	Federal District	2008
Capihogar	Federal District	2008
Capital FS	Jalisco	2008
Capital Plus	Nuevo Leon	2008
Capital Rural	Federal District	2008
Car Truck México	Federal District	2008
Cargill Servicios Financieros	Federal District	2008
Carson & Brasch Leasing	Federal District	2008
Carson & Brasch Pyme	Federal District	2008
Cash Services And Trade	Federal District	2008
Cashfin	Federal District	2008
Caterpillar Crédito	Nuevo Leon	2008
Cavalfin	Jalisco	2008
Caxcanes	Guerrero	2008
Cemex Capital	Nuevo Leon	2008
Centerfin	Jalisco	2008
Centro de Fomento al Desarrollo del Estado de México	Mexico	2008
CFDER-FIN	Puebla	2008
City Home del Centro	Guanajuato	2008
Club de Préstamo y Descuento en Salud	Federal District	2008
CNH Servicios Comerciales	Queretaro	2008
CNS OAVER	Federal District	2008
Coface Factoring México	Federal District	2008
Cofinamex	Veracruz	2008
Cofine	Nuevo Leon	2008
Compañía Comercial Comernova	Nuevo Leon	2007
Compostela Servicios Financieros	Nuevo Leon	2008
Comvecap	Federal District	2008
Con Ser Tu Amigo	Chiapas	2008
Concapital	Nuevo Leon	2008
Condesa Financiera	Federal District	2008
Confianza Capitale	Federal District	2008
Consol Negocios	Jalisco	2008
Consorcio Cruz Girón	Oaxaca	2008
Construyendo Futuros Patrimoniales	Federal District	2008
Consultora Integral de Agronegocios	Chiapas	2008
Consultores de Servicios Varios	Chiapas	2008
Convengamos Todos	Federal District	2008
Corpofin. Com	Federal District	2008

Corporación de Operaciones Finas	Hidalgo	2008
Corporación Financiera Atlas	Federal District	2008
Corporación Financiera de América del Norte	Federal District	2008
Corporación Financiera de Arrendamiento	Federal District	2008
Corporación Interamericana de Financiamiento	Jalisco	2008
Corporativo D8	Jalisco	2008
Corporativo de Empresarios en Desarrollo	Yucatan	2008
Corporativo Internacional de Comercio de Nuez Paniagua	Chihuahua	2008
Corporativo Mexicano de Asesores en Negocios Comerciales	Federal District	2008
Corporativo Mexicano Oruga	Mexico	2008
Creah	Veracruz	2008
Creazione Estilo	Federal District	2008
Crece Safsa	Chiapas	2008
Crecifin	Federal District	2008
Crecimiento Empresarial Mexicano	Yucatan	2008
Credi Comex	Federal District	2008
Credial	Chihuahua	2008
Crediavance	Sinaloa	2008
Credi-Capital	Chiapas	2008
Crediclub	Nuevo Leon	2008
Credi-Financiera Pymes	Guanajuato	2008
Credigenial	Chiapas	2008
Credijoven	Federal District	2008
CrediMexico	Baja California	2008
Credimix Fomento Regional de la Mixteca	Oaxaca	2008
Credimotors	Federal District	2008
Credináutica	Nuevo Leon	2008
Credipresto	Federal District	2008
Crediproductor Cañero	San Luis Potosi	2008
Credirama	Federal District	2008
Credisur	Yucatan	2008
Creditin	Nayarit	2008
Crédito Alternativo	Federal District	2008
Crédito Ideal	Nuevo Leon	2008
Crédito Inmobiliario	Federal District	2008
Crédito Integral	Mexico	2008
Crédito Monarca	Michoacan	2008
Crédito Real	Federal District	2008
Crédito y Arrendamiento Gocar	Federal District	2007
Crédito y Capital	Nuevo Leon	2008
Credix GS	Michoacan	2008

Cualli Servicios	Federal District	2008
Daimler Financial Services	Federal District	2008
De Lage Landen	Mexico	2008
Desarrollo de Negocios Yeca	Morelos	2008
Desarrollo Empresarial la Victoria	Hidalgo	2007
Desarrollo Vivaz	Jalisco	2008
Despacho Alfonso Amador y Asociados	Oaxaca	2007
Dirección Especial de Bienes	Jalisco	2008
Dispersora Agroindustrial para Alimentar al Pueblo	Sonora	2008
Dispersora de Crédito Cuauhtémoc	Chihuahua	2008
Distribuidora Agropecuaria Industrial y Comercial	Yucatan	2008
DMI Financiera	Jalisco	2008
Don Apoyo	Federal District	2008
E Inteligent Servicios México	Federal District	2008
Eco Patrimonial	Morelos	2008
Ecoblock International	Federal District	2008
Efectilana	Michoacan	2008
Efectivísimo	Federal District	2008
Efim	Federal District	2008
EGM Economics & Business Management	Federal District	2008
Emerging América	Federal District	2008
En Confianza	Federal District	2008
Entidad de Fomento Regional	Chihuahua	2008
ERRE Corporativo	Mexico	2008
Eurekasoli	Federal District	2008
Expoholding	Nuevo Leon	2008
EZ Finance	Federal District	2008
F Rápido	Jalisco	2008
Factocred	Jalisco	2008
Factor Mega	Jalisco	2008
Factor Óptimo	Coahuila	2008
Factoraje en Línea	Nuevo Leon	2008
Factoring Corporativo	Federal District	2008
Fame Credit	Michoacan	2008
FG Sociedad Financiera	Nuevo Leon	2008
FGS Capital	Federal District	2008
Ficreve	Federal District	2008
Fides Gestión Financiera	Nuevo Leon	2008
Fiducredito	Baja California	2008
Fifac Grupo	Federal District	2008
Fin Progresa	Federal District	2008

Fin Útil	Sinaloa	2008
Fina	Federal District	2008
Finacen	San Luis Potosi	2008
Finacrece	Federal District	2008
Finae	Federal District	2008
Finagil	Mexico	2008
Finagro Refaccionario	Michoacan	2008
Finaldo	Federal District	2008
Financap	Federal District	2008
Financial Sto. Espiritu	Veracruz	2008
Financiamiento Progresemos	Federal District	2008
Financiera Apoyate	Nuevo Leon	2008
Financiera Bepensa	Yucatan	2008
Financiera Bucaar	Queretaro	2008
Financiera Chapultepec	Federal District	2008
Financiera del Conchos	Chihuahua	2008
Financiera del Norte	Coahuila	2008
Financiera del Refugio del Sureste	Chiapas	2008
Financiera Finsol	Federal District	2008
Financiera Global	Coahuila	2008
Financiera Iclar de Occidente	Jalisco	2008
Financiera Independencia	Federal District	2008
Financiera Maestra	Federal District	2008
Financiera Marjo	Sinaloa	2008
Financiera México Múltiple	Federal District	2008
Financiera Monte Carmelo	Veracruz	2008
Financiera Nexum	Nuevo Leon	2008
Financiera Ofem	Federal District	2008
Financiera Para Tu Salud	Guanajuato	2008
Financiera Pega	Durango	2008
Financiera Peninsula	Yucatan	2008
Financiera Premier	Sinaloa	2008
Financiera Prosperidad	Chihuahua	2008
Financiera Realidad	Nuevo Leon	2008
Financiera Sifio	Hidalgo	2008
Financiera Terracota	Federal District	2007
Financiera Urbi	Baja California	2008
Financiera Viyees	Nuevo Leon	2008
Finansi	Nuevo Leon	2008
Finanzas Populares Atemexpa	Chiapas	2008
Finca Tu Desarrollo	San Luis Potosi	2008

Finco de México	Coahuila	2008
Findesol	Federal District	2008
Finenim	Jalisco	2008
Finfácil	Federal District	2008
Finintegra	Federal District	2008
Finlaguna	Coahuila	2008
Finreg	Sonora	2008
Fintegra Financiamiento	Federal District	2008
First National Bank	Baja California	2008
Fisatel México	Federal District	2008
Fomenta GBM	Federal District	2008
Fomenta Mx	Federal District	2008
Fomento Empresarial Lepezo	Federal District	2008
Fomento Hipotecario	Federal District	2008
Fomento Inmobiliario Agil de Occidente	Federal District	2008
Fomento LG	Guanajuato	2007
Fomepade	Puebla	2008
Fondo Creación	Federal District	2008
Fondo Inteligente de México	Mexico	2008
Fondonomina	Federal District	2008
Ford Credit de México	Federal District	2008
Forjadores de Negocios	Federal District	2008
Forjando el Futuro	Sinaloa	2008
FS Capital Partners	Queretaro	2008
Fuentes de Servicios	Puebla	2008
G. F. Intercontinental	Sinaloa	2008
G+5 Corp	Sinaloa	2008
Garfin	Sinaloa	2008
Gemas Servicios Integrales	Jalisco	2008
Genera Destino	Federal District	2008
Gestión de Activos	Federal District	2008
Gifsa Sociedad Financiera de Objeto Múltiple, E.N.R.	Michoacan	2008
Gikal Fomento	Federal District	2008
Globimex	Nayarit	2008
Globo Rural	San Luis Potosi	2008
GPI Comercial	Jalisco	2008
Gramercy BG MEX	Federal District	2008
Gramercy México NPLI	Federal District	2008
Gramercy México NPLII	Federal District	2008
Grupo Agrifin	Federal District	2008
Grupo Apoyo y Soluciones Empresariales	Veracruz	2008

Grupo C & C Investments	Yucatan	2008
Grupo Consultor para la Microempresa	San Luis Potosi	2008
Grupo Crediexpress	Jalisco	2008
Grupo CT Capital	Jalisco	2008
Grupo Darbi	Federal District	2008
Grupo de Desarrollo Crece	Chihuahua	2007
Grupo Empresarial Augustino	Zacatecas	2008
Grupo Empresarial GPI	Jalisco	2008
Grupo Empresarial Sonorense	Sonora	2008
Grupo Enprende	Puebla	2008
Grupo Fast Servicios Financieros	Nuevo Leon	2008
Grupo Financiero Prosperemos	Coahuila	2008
Grupo Finanziamiento	San Luis Potosi	2008
Grupo Fintrust, SOFOM. E.N.R.	Mexico	2008
Grupo Jalisciense en Apoyo a la Economía Familiar	Federal District	2008
Grupo KF	Jalisco	2008
Grupo Metropolitano en Apoyo a la Economía Familiar	Federal District	2008
Grupo Mexicano en Apoyo a la Economía Familiar	Federal District	2008
Grupo MPV Promotor del Crecimiento Mexicano	Federal District	2008
Grupo Poblano en Apoyo a la Economía Familiar	Federal District	2008
Grupo Relevo	Federal District	2008
Grupo Uharma de México	Oaxaca	2008
GS Servicios Financieros de México	Federal District	2008
Guilmsa	Federal District	2008
GZ Capital	Federal District	2008
Hecen Productos y Servicios de Financiamiento	Federal District	2008
Herdez Capital	Federal District	2008
Hipotecaria Casa Mexicana	Federal District	2008
Hipotecaria Fimex	Federal District	2008
Hipotecaria Vértice	Federal District	2008
IMPULSA, Impulsora Mexicana de Obras y Negocios	Federal District	2008
Impulsemos	Federal District	2008
Impulso Crediticio Empresarial	San Luis Potosi	2008
Impulso Económico Americano	Aguascalientes	2008
Impulso para el Desarrollo Empresarial y Agrícola	Chiapas	2008
Impulso Solidario	Mexico	2008
Impulsora Agropecuaria del Mayab	Yucatan	2008
Impulsora Consorcio Hogar	Jalisco	2008
Impulsora de Emprendedores	Yucatan	2008
Impulsora de Negocios del Centro	Guanajuato	2008
Impulsora de Negocios Regional	Yucatan	2008

Impulsora Emergente	Chihuahua	2008
Impulsores de Tabasco	Tabasco	2008
Ingeniería Agropecuaria y Mercadotecnia	Michoacan	2008
Ingeniería Crediticia	Federal District	2008
Integra Arrenda	Federal District	2008
Integradora de Desarrollo Social	Federal District	2007
Integradora Financiera Rural	Federal District	2008
Intelisis Financial Services	Federal District	2008
Interbanc	Federal District	2008
Interfinanciera	Federal District	2008
Intermediación para el Desarrollo Popular	Federal District	2008
Intermediación Popular	Federal District	2008
Intermediario para el Desarrollo Rural	Morelos	2008
Inverlagos	Jalisco	2008
Invermonex	Jalisco	2008
Inverred	Jalisco	2008
Inversión Casa México	Jalisco	2008
Invertotal	Federal District	2008
Invertrust	Federal District	2008
Invirtiendo	Chiapas	2008
IRS Capital	Nuevo Leon	2008
JCM Empresarial	Federal District	2007
John Deere Credit México	Nuevo Leon	2008
Jolly Haul	Federal District	2008
Juntos Progresando	Mexico	2007
Kapital Mex Ambiental	Federal District	2008
Kapitalmujer	Oaxaca	2008
KRP Financial Businesses	Sinaloa	2008
Lami Financiera	Hidalgo	2008
Lar Home	Sinaloa	2008
LBBW México	Federal District	2008
LC Liquidez Corporativa	Sonora	2008
Leasing Advisors de México	Federal District	2007
LI Financiera	Aguascalientes	2008
Línea Aprobada	Federal District	2008
Logra Financiamientos	Yucatan	2008
London Systems	Jalisco	2008
López Acosta Soluciones Patrimoniales	Chiapas	2008
Lorike	Jalisco	2008
LSB-Apoya	Federal District	2008
Lureva Consultoría	Puebla	2008

Marine Finance	Federal District	2008
Mas Leasing	Federal District	2008
Maxi Prenda	Federal District	2008
MCS Trust	Jalisco	2008
Merco Capital	Tamaulipas	2008
Metrofinanciera	Nuevo Leon	2008
Mex-Factor	Federal District	2008
Mexicana de Fomento Innovador	Coahuila	2008
Mexicana de Recursos Apore	Federal District	2008
México Realty del Sur Funding	Federal District	2008
Mexrealis Funding	Federal District	2008
Microfinanciera Crece	Federal District	2008
Microfinanzas y Servicios del Sureste	Yucatan	2008
Morgan Stanley Capital	Federal District	2008
Motor Outlet de México	Nuevo Leon	2008
Multiservicios Directos de México	Federal District	2008
Mundo Nuevo de Oportunidad	Puebla	2008
MXMX	Nuevo Leon	2008
Nanal Financiera	Federal District	2008
Navistar Financial	Federal District	2008
Navix de México	Federal District	2008
Negociadora Afasa	Federal District	2008
Nican Préstamos	Jalisco	2008
NIV de México	Chihuahua	2008
Nogaleros del Noroeste	Chihuahua	2008
Notmex	Jalisco	2008
Novacrédit	Federal District	2008
NR Finance México	Federal District	2008
Nueva Visión Agropecuaria	Sinaloa	2008
Obtencasa	Federal District	2008
Omnia Capital	Jalisco	2008
Omniarrenda	Jalisco	2007
Opciones Financieras Múltiples	Federal District	2008
Opcipres	Federal District	2008
Operadora C & C Capital	Jalisco	2008
Operadora de Servicios Mega	Jalisco	2007
Operadora Financiera de México	Michoacan	2008
Oportunidad Microfinanzas	Jalisco	2007
Oportunidades para Emprendedores	Federal District	2008
Option Financiamiento y Crecimiento Empresarial	Federal District	2008
Otorgapluss Opciones Patrimoniales	Oaxaca	2008

Paccar Arrendadora Financiera	Baja California	2008
PARATODO	Aguascalientes	2008
Patrimonio y Beneficio Familiar	Sonora	2008
Paz Lara	Tabasco	2008
Pendulum International de México	Federal District	2008
Perseus Equity	Jalisco	2008
Petra Inversiones	Federal District	2008
Pregasa	Oaxaca	2008
Premier Estrategia	Federal District	2008
Préstamos Empresariales	Jalisco	2008
Préstamos para Crecer	Federal District	2008
Prestasi	Mexico	2008
Prestomatic	Jalisco	2008
Presyser de México	Yucatan	2008
Pretmex	Federal District	2008
PRJ Financial Services	Federal District	2008
Pro Confianza	Michoacan	2008
Proaktiva	Baja California	2008
Productores del Campo Unidos del Sureste	Yucatan	2008
Profin Rural	Federal District	2008
Profir Productores Rurales	Puebla	2008
Progresemos de Oaxaca	Federal District	2008
Promoción de Proyectos Ambientales	Federal District	2008
Promotora e Integradora de Servicios para el Desarrollo Regional	Yucatan	2008
Promotora Financiera del Campo	Yucatan	2007
Promotora Financiera Industrial	Coahuila	2008
Promotora Noble	Federal District	2008
Promotora Profile	Jalisco	2008
Promotoría Financiera Tabasco	Tabasco	2008
Pronto Efectivo	Federal District	2008
Proveedora de Fondos Santelmo	Federal District	2008
Proveedora de Recursos Agroindustriales	Yucatan	2008
Proyección de Negocios OIR	Mexico	2008
Publiseg	Federal District	2007
QC Soluciones Financieras	Nuevo Leon	2008
Quality Financial Services	Nuevo Leon	2008
Raíces A.A.S.	Mexico	2007
Realiza, Soluciones Efectivas	Federal District	2008
Regio Cash	Nuevo Leon	2008
Rent A Car One	Tamaulipas	2008

Rentafin	Mexico	2008
Rescata Estamos Cuando Nos Necesitas	Federal District	2008
Respuesta Patrimonial Express	Jalisco	2008
Retrofin	Federal District	2008
Rubican Assets	Federal District	2008
Rymcapital Corporation	Jalisco	2008
San Iago Crecimiento Social	Federal District	2008
Sankhara	Federal District	2008
Sefise	Federal District	2008
Sehilasa Agricola	Coahuila	2008
Selaind	Jalisco	2008
Servicios AAVYAC	Sonora	2008
Servicios en Su Casita	Federal District	2007
Servicios Financieros ANEC	Puebla	2008
Servicios Financieros de Desarrollo Comunitario	Nuevo Leon	2008
Servicios Financieros de Occidente	Jalisco	2008
Servicios Financieros Finkar	Yucatan	2008
Servicios Financieros Geicoo	Chihuahua	2008
Servicios Integrales Proagro	Tamaulipas	2008
Servicios Jurídicos Especializados Estrada León, S.A.	Jalisco	2007
Servicios Multiplica	San Luis Potosi	2008
Servicios para la Autogestión Empresarial	Veracruz	2008
Servicios Plaza de Occidente	Jalisco	2008
Servicios y Atención Inmediata	Puebla	2008
Setien Capital	Nuevo Leon	2008
Siempre Creciendo	Federal District	2008
SIFINCA	Oaxaca	2008
Simfoc	Oaxaca	2008
Sinergética Mexicana	Federal District	2008
Sinergia y Progreso Quijano	Puebla	2008
Sipresto	Federal District	2008
Sipyme Financial	Mexico	2008
Sistema de Apoyo Microempresarial	Yucatan	2008
Sistema de Desarrollo Ganadero UGRS	Sonora	2008
Sistemas Integrales y Desarrollo Agropecuario	Puebla	2008
SL Financial México	Federal District	2008
Sociedad de Desarrollo Agropecuario	Yucatan	2008
Sociedad de Desarrollo Especializado	Yucatan	2008
Sociedad Financiera Equípate	Federal District	2008
Sociedad Financiera Soficred	Federal District	2008
Sofhomex	Sinaloa	2008

Sofiesca	Federal District	2008
Sofihaa Financiera	Federal District	2008
Sofimur	Durango	2008
Sofom Mexicana	Veracruz	2008
Sofomex	Federal District	2008
Sofoplus	Federal District	2008
Solfi	Federal District	2008
Solpresol	Federal District	2008
SOLSIN	Sinaloa	2008
Soluciones Emprendedoras del Norte	Chihuahua	2008
Soluciones Financieras Internacionales	Tamaulipas	2007
Soluciones Múltiples Empresariales	Federal District	2008
Star Investments	Quintana Roo	2008
Suelo y Vivienda Progresiva de Occidente	Jalisco	2008
Sufinanciera	Sinaloa	2008
Super Préstamos al Instante	Jalisco	2008
Supera Préstamos	Puebla	2008
Synergy Investments	Yucatan	2008
Tamogi	Michoacan	2008
TANEWI	Chihuahua	2008
Taranis Leasing Plus	Federal District	2008
Telefónica Factoring México	Federal District	2008
Telefónica Finanzas México	Federal District	2008
Tenedora Dalia	Federal District	2008
Tezoros Claudia	Jalisco	2008
The Capita Corporation de México	Federal District	2008
Trust-Mex	Federal District	2008
Trustworth Capital	Federal District	2008
Tu Eliges	Federal District	2007
Tu Franquicia	Federal District	2008
Tu Lanita Rápida	Nuevo Leon	2008
Ultra Capital	Federal District	2008
Unefin	Nuevo Leon	2008
Unifin Financiera	Federal District	2008
Unimex Financiera	Coahuila	2008
Unión de Empresarios Mexicanos	Yucatan	2007
Unión de Servicios Santiago Papasquiaro	Durango	2008
Unipresto	Mexico	2008
Valmex Soluciones Financieras	Federal District	2008
Value Arrendadora , Value Grupo Financiero	Nuevo Leon	2008
Value Factoraje, Value Grupo Financiero.	Nuevo Leon	2008

Vasarch	Mexico	2008
Vertical Q Soluciones Patrimoniales	Jalisco	2007
Vitesse Financing and Trust de México	Baja California	2008
Wac de México	Chihuahua	2008
Wing Management Box	Federal District	2008
Ya Servicios	Federal District	2008

Additional International Resources:

Export Import Bank of the United States (Ex-Im Bank)

The Export-Import Bank of the United States (Ex-Im Bank) is the official export credit agency of the United States. Ex-Im Bank's mission is to assist in financing the export of U.S. goods and services to international markets.

Ex-Im Bank does not compete with private sector lenders but provides export financing products that fill gaps in trade financing. We assume credit and country risks that the private sector is unable or unwilling to accept.

Ex-Im Bank provides working capital guarantees (pre-export financing); export credit insurance; and loan guarantees and direct loans (buyer financing).

With more than 70 years of experience, Ex-Im Bank has supported more than $400 billion of U.S. exports, primarily to developing markets worldwide.

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Federation of International Trade Associations

The Federation of International Trade Associations (FITA), founded in 1984, fosters international trade by strengthening the role of local, regional, and national associations throughout the United States, Mexico and Canada that have an international mission.

FITA affiliates are 450+ independent international associations which fall into six categories.

The 400,000 organizations linked to FITA through their membership in a FITA member association represent a broad cross-section of the international trade community: manufacturers, trading companies, contractors, freight forwarders, custom house brokers, airlines, shipping companies, port authorities, banks, insurance brokers and underwriters, associations and a wide range of service providers including telecommunications companies, law firms, and consultants.

Organization Contact Information:
The Federation of International Trade Associations
172 Fifth Avenue, Suite 118 • Brooklyn, NY 11217
Phone: (718) 871-0369
Email: info@fita.org – General Inquiries
kpark@fita.org – Member Information
Website: http://www.fita.org/

Inter-American Investment Corporation

The Inter-American Investment Corporation is a multilateral financial institution that is part of the Inter-American Development Bank Group. The IIC is mandated to promote the economic development of its regional developing member countries located in Latin America and the Caribbean by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to complement the activities of IDB.

To fulfill its mandate, the IIC offers a range of products and services such as -short-term loans, up to two years (working capital or trade finance), medium-term loans, up to five years (working capital, corporate loans, or project finance), long-term loans, up to fifteen years (corporate loans or project finance), syndicated A and B loans, equity and quasi-equity investments, and credit guarantees for loans and debt instruments.

All II C's clients are private enterprises–preferably, although not exclusively, small and medium-size companies. The IIC offers in Colombia, Mexico, and Peru and under specific conditions, financing denominated in local currency. Among the beneficiaries are financial intermediaries, including leasing companies.

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Website: http://www.iic.int

International Trade Administration

The Office of Finance seeks to enhance the domestic and international competitiveness of key U.S. financial services industries in order to increase their exports and investment overseas. Primary areas of focus for the Office of Finance include insurance, securities, banking, venture capital, private equity, pensions and asset management, exchanges, mortgage, leasing, and non-bank financing. Our office supports these programs and activities through our Financial Services and Trade and Project Finance teams.

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Email: scott.schmith@mail.doc.gov
Website: http://www.ita.doc.gov/td/finance/

Inter-American Development Bank

The Inter-American Development Bank (IDB), the oldest and largest regional bank in the world, is the main source of multilateral financing for economic, social and institutional development in Latin America and the Caribbean. Its loans and grants help finance development projects and support strategies to reduce poverty, expand growth, increase trade and investment, promote regional integration, and foster private sector development and modernization of the State.

The IDB Group is composed of the IDB, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF). The IIC focuses on support for small and medium-sized businesses, while the MIF promotes private sector growth through grants and investments.

In recent years the Bank has launched a number of initiatives aimed at applying new approaches to reduce poverty, promote small businesses, stimulate trade and extend financial democracy.

Organization Contact Information:
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International Finance Corporation

IFC fosters sustainable economic growth in developing countries by financing private sector investment, mobilizing capital in the international financial markets, and providing advisory services to businesses and governments.

IFC helps companies and financial institutions in emerging markets create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities. The goal is to improve lives, especially for the people who most need the benefits of growth.

IFC offers an array of financial products and services to its clients and continues to develop new financial tools that enable companies to manage risk and broaden their access to foreign and domestic capital markets.

Organization Contact Information:
International Finance Corporation
2121 Pennsylvania Avenue, NW • Washington, DC 20433 USA
Phone: (202) 473-1000
Website: http://www.ifc.org/

Multilateral Investment Guarantee Agency

Since its inception in 1988, Multilateral Investment Guarantee Agency (MIGA) has issued nearly 900 guarantees worth more than $17.4 billion for projects in 96 developing countries. MIGA specializes in facilitating investments in high-risk, low-income countries–such as in Africa and conflict-affected areas. By partnering with the World Bank and others, MIGA is able to leverage finance for guarantee trust funds in these difficult or frontier markets. The agency also focuses on supporting complex infrastructure projects and promoting investments between developing countries.

MIGA's technical assistance services also play an integral role in catalyzing foreign direct investment by helping developing countries define and implement strategies to promote investment. MIGA develops and deploys tools and technologies to support the spread of information on investment opportunities. Thousands of users take advantage of our suite of online investment information services, which complement country-based capacity-building work.

The agency uses its legal services to further smooth possible impediments to investment. Through its dispute mediation program, MIGA helps governments and investors resolve their differences, and ultimately improve the country's investment climate.

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World Bank Group
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Website: http://www.miga.org/

Overseas Private Investment Corporation (OPIC)

OPIC is a U.S. government agency that sells political risk insurance and loans to help U.S. businesses of all sizes invest and compete in more than 150 emerging markets and developing nations worldwide.

OPIC's mission is to:
- -Foster economic development in new and emerging markets;
- -Support U.S. foreign policy; and,
- -Create U.S. jobs by helping U.S. businesses to invest overseas.

OPIC charges market-based fees for its products and therefore it operates on a self-sustaining basis at no net cost to taxpayers. OPIC places a special emphasis on supporting U.S. small businesses in their efforts to expand into emerging markets overseas. OPIC established a Small Business Center and Small and Medium Enterprise Finance Department to coordinate OPIC expertise for the development of small business deals through a streamlined approval process aimed at reducing costs for U.S. small businesses.

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EQUIPMENT LEASING & FINANCE
FOUNDATION
Your Eye On The Future

Future Focused Research for the Equipment Finance Industry

Presented by the Source for Independent, Unbiased and Reliable Study

The Equipment Leasing & Finance Foundation

The Equipment Leasing & Finance Foundation, established in 1989 by the Equipment Leasing Association, is dedicated to providing future-oriented, in-depth, independent research about and for the equipment finance industry. Information involving the markets, the future of the industry and the methods of successful organizations are researched to provide studies that include invaluable information for developing strategic direction within your organization.

Your Eye on the Future

The Foundation partners with corporate and individual sponsors, academic institutions and industry experts to develop comprehensive empirical research that brings the future into focus for industry members. The Foundation provides academic research, case studies and analyses for industry leaders, analysts and others interested in the equipment finance industry.

The Foundation's resources are available electronically or in hard copy, at no cost to Foundation donors and for a fee to non-donors. The Foundation website is updated weekly. For more information, please visit www.leasefoundation.org

Resources available from the Foundation include the following research and emerging issues (check the website for a complete listing):

Resources: Research Studies and White Papers

- US Equipment Finance Market Study
- Propensity to Finance Equipment – Characteristics of the Finance Decision
- Business Differentiation: What makes Select Leasing Companies Outperform Their Peers?
- Annual State of the Industry Report
- Evolution of the Paperless Transaction and its Impact on the Equipment Finance Industry
- Indicators for Success Study
- Credit Risk: Contract Characteristics for Success Study
- Study on Leasing Decisions of Small Firms

Resources: Identification of Emerging Issues

- Annual Industry Future Council Report
- Identifying Factors For Success In the China
- Renewable Energy Trends and the Impact on the Equipment Finance Market
- Long-Term Trends in Health Care and Implications for the Leasing Industry
- Why Diversity Ensures Success
- Forecasting Quality: An Executive Guide to Company Evaluation...and so much more!

Journal of Equipment Lease Financing

Published three times per year and distributed electronically, the Journal of Equipment Lease Financing is the only peer-reviewed publication in the equipment finance industry. Since its debut in 1980, the Journal features detailed technical articles authored by academics and industry experts and includes Foundation-commissioned research and articles. Journal articles are available for download through the Foundation website. Subscriptions are available at www.leasefoundation.org

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Many of the Foundation studies are also presented as web seminars to allow for direct interaction, in-depth conversation and question and answer sessions with the researchers and industry experts involved in the studies. Please visit the Foundation website for details on upcoming webinars at www.leasefoundation.org

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