

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8988-MX

Loan Agreement

(Mexico Financial Inclusion Development Policy Financing)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the UNITED MEXICAN STATES ("Borrower"), represented by its *Secretaria de Hacienda y Credito Publico* (SHCP), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework.

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Section II of Schedule 1 of this Agreement, and for the purposes of supporting the Program), shall be used in conformity with the requirements of the Borrower's income, budgetary and federal public debt laws and the terms of this Agreement.

The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of five hundred million Dollars (\$500,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").
- 2.02. Without limitation to the provisions of Section 2.01 (b) of the General Conditions, the Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. Without limitation to the provisions of Section 3.01 (a) of the General Conditions, the Front-end Fee payable by the Borrower is one quarter of one percent (0.25%) of the Loan amount.

- 2.04 Without limitation to the provisions of Section 3.01 (b) of the General Conditions, the Commitment Charge payable by the Borrower is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05 Without limitation to the provisions of Section 3.02 (a) of the General Conditions, the interest rate payable by the Borrower is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02 (e) of the General Conditions.
- 2.06 The Payment Dates are March 1 and September 1 in each year.
- 2.07 The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.08 Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower, with the assistance of the Development Banking Unit of SHCP, shall furnish to the Bank for its review and comment, a report on the progress achieved in the implementation of the Program, in such detail as the Bank shall reasonably request; and
 - (c) without limitation upon paragraphs (a) and (b) of this Section, the Borrower, with the assistance of Development Banking Unit of SHCP, shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.
- 3.02. (a) The Borrower shall enter into a contract (*Contrato de Mandato*) with the Financial Agent, satisfactory to the Bank, whereby:

- (i) the Financial Agent agrees to act as financial agent of the Borrower with regard to the Loan; and
 - (ii) the Borrower shall cooperate fully with the Financial Agent to ensure that the Financial Agent is able to comply with all of the Financial Agent's obligations under the *Contrato de Mandato*.
- (b) The Borrower shall exercise its rights and carry out its obligations under the *Contrato de Mandato* in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not terminate, amend, waive or fail to enforce any provision of the *Contrato de Mandato*. In case of any conflict between the terms of the *Contrato de Mandato* and those of this Agreement, the terms of this Agreement shall prevail.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the *Contrato de Mandato* has been duly executed by the parties thereto;
 - (b) the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework; and
 - (c) the Borrower and the Financial Agent (in a legal opinion satisfactory to the Bank, issued by the Financial Agent's counsel acceptable to the Bank), indicate that the *Contrato de Mandato* has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Financial Agent and is legally binding upon the Borrower and the Financial Agent's in accordance with the *Contrato de Mandato*'s terms.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is the *Titular de la Unidad de Crédito Público* of SHCP.
- 6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower's address is:

Secretaría de Hacienda y Crédito Público
Unidad de Asuntos Internacionales de Hacienda
Insurgentes Sur 1971
Torre III, tercer piso
Colonia Guadalupe Inn
01020 México, D.F.; and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
011-52-55-3688-1216	<u>uaih_shcp@hacienda.gob.mx</u>

- 6.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

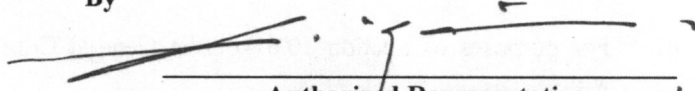
(b) the Bank's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423(MCI) or 64145(MCI)	1-202-477-6391	<u>psaavedra@worldbank.org</u>

AGREED as of the Signature Date.

UNITED MEXICAN STATES

By



Authorized Representative

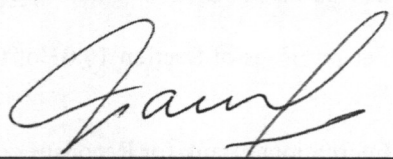
Name: Gabriel Yoro Gonzalez

Title: Head of Public Credit

Date: July 29, 2019

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: Pablo Saavedra

Title: Country Director

Date: July 25, 2019

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. The actions taken by the Borrower under the Program include the following:
1. The Borrower has developed a new electronic payment platform (“CoDi”) and issued its supporting regulations, to provide safe and efficient person-to-business payments to better reach micro, small and e-commerce merchants, as evidenced by *Banco de Mexico*’s Circular No. 8/2019, duly published in the Official Gazette dated May 20, 2019.
 2. The Borrower has issued regulations to create interbank mechanisms that facilitate individuals to use their payroll account as the designated source of repayment for loans with any bank in the system, to foster a broader access to credit under better terms and conditions, as evidenced by *Banco de Mexico*’s Circular 15/2018, duly published in the Official Gazette dated October 29, 2018.
 3. The Borrower has enacted the Law to Regulate Financial Technology Institutions, to mandate the establishment and regulate the operation of ITFs and technology-driven business models, products, and services to promote innovation, competition, and inclusion in the financial sector.
 4. The Borrower has issued regulations regarding the licensing and operation of ITFs, as evidenced by CNBV’s General Rules for ITFs and *Banco de Mexico*’s Circular No. 12/2018, duly published in the Official Gazette dated September 10, 2018 and March 25, 2019, respectively.
 5. The Borrower has issued regulations for the operation of Regulatory Sandboxes, including eligibility criteria, oversight, and interinstitutional coordination, as evidenced by: (i) *Banco de Mexico*’s Circular No. 5/2019; and (ii) General Rules for Regulatory Sandboxes issued by SHCP, CNBV, CNSF and CONSAR, published in the Official Gazette dated March 8, 2019, March 11, 2019, March 19, 2019, March 26, 2019 and March 8, 2019, respectively.
 6. The Borrower has submitted to its Legislature, for approval thereof, a bill of law to improve the BANCO DEL BIENESTAR’s mandate in supporting financial inclusion and its role in the distribution of social benefits to the poorest population, as evidenced by the Senate Gazette No. 114, Volume I, dated April 2, 2019.

Section II. Availability of Loan Proceeds

- A. General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan (expressed in Dollars)
(1) Single Withdrawal Tranche	498,750,000
(2) Front-end Fee	1,250,000
(3) Amount due pursuant to Section 4.05 (c) of the General Conditions	0
TOTAL AMOUNT	\$500,000,000

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (i) with the Program being carried out by the Borrower; and (ii) with the adequacy of the Borrower's macroeconomic policy framework.

D. Closing Date. The Closing Date is June 30, 2020.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule – Level Repayment

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each March 1 and September 1 Beginning March 1, 2025 through March 1, 2033	5.56%
On September 1, 2033	5.480%

APPENDIX

Section I. Definitions

1. "BANCO DEL BIENESTAR" means *Banco del Bienestar, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo*, established pursuant to the Borrower's law duly published in the Borrower's Official Gazette, dated June 19, 2019 that reforms the organic Law of *Banco del Ahorro Nacional y Servicios Financieros, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo* dated June 1, 2001.
2. "CNBV" means *Comisión Nacional Bancaria y de Valores*, the Borrower's National Banking and Securities Commission.
3. "CNSF" means *Comisión Nacional de Seguros y Fianzas*, the Borrower's National Commission of Insurance and Guarantees.
4. "CoDi" mean *Cobro Digital*, an electronic platform for payments.
5. "CONSAR" means *Comisión Nacional del Sistema de Ahorro para el Retiro*, the Borrower's National Commission of Savings for Pensions.
6. "*Contrato de Mandato*" means the contract referred to in Section 3.02 (a) of this Agreement.
7. "Financial Agent" means: (i) BANCO DEL BIENESTAR; or (ii) any other development bank of the Borrower acceptable to the Bank.
8. "Financial Technology Institutions" or "ITFs" means financial technology institutions, including: (a) crowdfunding institutions; and (b) electronic payment funds institutions, as further defined in the Fintech Law.
9. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing", dated December 14, 2018.
10. "Law to Regulate Financial Technology Institutions" or "Fintech Law" means the Borrower's Law to Regulate Financial Technology Institutions, published in the Official Gazette dated March 9, 2018.
11. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated April 30, 2019 from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution

and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program's objectives.

12. "Regulatory Sandboxes" means *Modelos Novedosos*, a model for the provision of financial services, which requires a temporary authorization for the use of tools or technological means with modalities different from those existing in the market at the moment in which the temporary authorization is granted, as further defined in the Fintech Law.
13. "SHCP" means *Secretaría de Hacienda y Crédito Público*, the Borrower's Ministry of Finance and Public Credit.
14. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
15. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.