

Draft
Subject to Legal Review for Accuracy, Clarity, and Consistency
March 31, 2004

ANNEX II
SERVICES/INVESTMENT NON-CONFORMING MEASURES

1. The Schedule of a Party to this Annex sets out, pursuant to Articles 10.12 (Non-Conforming Measures) and 11.6 (Non-Conforming Measures), the specific sectors, subsectors, or activities for which that Party may maintain existing, or adopt new or more restrictive, measures that do not conform with obligations imposed by:
 - (a) Article 10.3 or 11.2 (National Treatment);
 - (b) Article 10.4 or 11.3 (Most-Favored-Nation Treatment);
 - (c) Article 11.5 (Local Presence);
 - (d) Article 10.8 (Performance Requirements);
 - (e) Article 10.9 (Senior Management and Boards of Directors); or
 - (f) Article 11.4 (Market Access).

2. Each Schedule entry sets out the following elements:
 - (a) **Sector** refers to the sector for which the entry is made;
 - (b) **Obligations Concerned** specifies the obligation(s) referred to in paragraph 1 that, pursuant to Articles 10.12.2 (Non-Conforming Measures) and 11.6.2 (Non-Conforming Measures), do not apply to the sectors, subsectors, or activities listed in the entry;
 - (c) **Description** sets out the scope of the sectors, subsectors, or activities covered by the entry; and
 - (d) **Existing Measures** identifies, for transparency purposes, existing measures that apply to the sectors, subsectors, or activities covered by the entry.

3. In accordance with Article 10.12.2 (Non-Conforming Measures) and 11.6.2 (Non-Conforming Measures), the articles of this Agreement specified in the **Obligations Concerned** element of an entry do not apply to the sectors, subsectors, and activities identified in the **Description** element of that entry.

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4. For greater certainty, an annex entry taken with respect to Article 11.4 shall apply to the cross-border supply of a service and to the supply of a service in the Party's territory by an investor of the other Party or a covered investment unless the text of the **Description** element provides otherwise. It is not necessary to reference "investment" in the heading of the **Description** element for the annex entry to apply in this manner.