

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

The Honorable Catherine A. Novelli
Assistant U.S. Trade Representative
for Europe and the Mediterranean
Office of the U.S. Trade Representative

Dear Ms. Novelli:

I have the honor to confirm the following understanding reached by the delegations of the Kingdom of Morocco and the United States of America in the course of negotiations regarding Chapter Twelve (Financial Services) of the Free Trade Agreement between our two Governments signed this day.

According to the terms of Article 27 of the Agreement concerning the establishment of the *Societe Africaine de Reassurance* (“Africa Re”), insurance companies established in Morocco must cede five percent of each reinsurance contract to the *Societe Africaine de Reassurance*. The five percent cession applies to the amount of the reinsurance contract after subtracting any mandatory cession to the *Societe Central de Reassurances* (“SCR”). The five percent cession does not apply to “*reassurance facultative*” (optional reinsurance).

As provided in Morocco’s schedule to Annex III, Morocco’s non-conforming measure pertaining to the SCR shall be phased out under the time frames set forth in that non-conforming measure.

I have the honor to propose that this letter should be treated as an integral part of the Agreement.

Sincerely,

[Moroccan Government Official]