

DRAFT
Subject to Legal Review for Accuracy, Clarity, and Consistency
March 8, 2004

This letter was negotiated during the course of the CAFTA negotiations and is related to the Agreement, but is not part of the CAFTA.

[Letter on foreign bank branches and additional reserve requirements]

[date]

Dear _____,

I have the honor to refer to Chapter Twelve (Financial Services) of the United States-Central America Free Trade Agreement (the "Agreement") signed at _____ on _____, 2004.

I have the further honor to confirm that the Government of Costa Rica has been discussing and supports the idea of modifying current banking law in order to allow foreign banks to carry out banking activities in Costa Rica through local branches, subject to the same regulatory, capital and supervisory standards applicable to local banks, and will make reasonable efforts to promote such legal modification.

I also have the honor to confirm that the Government of Costa Rica has been discussing and supports the idea of modifying the requirement for private banks to hold additional reserves with state banks under Article 59 of Law # 1644, and will make reasonable efforts to promote such legal modification.

I trust that this letter provides the information the United States has sought with regard to the possibility of foreign bank branching in Costa Rica, as well as with regard to the possible modification of the additional reserve requirement.

Sincerely,