
LOAN NUMBER 9104-MX

Loan Agreement

(COVID-19 Financial Access Development Policy Loan)

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 *Secretaría de Hacienda y Crédito Público* (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 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 one billion Dollars (\$1,000,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate 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.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

- 2.07. 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.
- 2.08. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.
- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.
- (ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower, which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.
- (iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

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 Banking Securities and Savings Unit of SHCP, shall furnish to the Bank for its review and comment, information on the progress achieved 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 Banking Securities and Savings 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.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following: namely that 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.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the *Titular de la Unidad de Crédito Público* of SHCP. The authorized representative to make requests for Conversions or for an IBRD Hedge (as defined in the Hedging Guidelines), or for purposes of Article II of the General Conditions, on behalf of the Borrower shall be the *Titular de la Unidad de Crédito Público* of SHCP or any person or persons whom he or she shall designate in writing for this particular purpose.

- 5.02. 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, piso 7
Colonia Guadalupe Inn
01020 México City
Mexico; and

(b) the Borrowers Electronic Address is:

E-mail: uaih_shcp@hacienda.gob.mx

- 5.03. 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

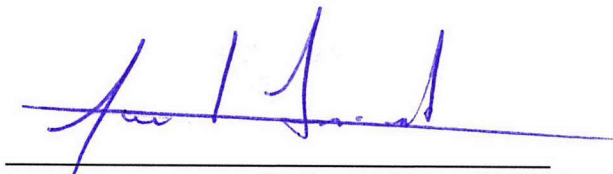
(b) the Bank's Electronic Address is:

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

AGREED as of the Signature Date.

UNITED MEXICAN STATES

By



Authorized Representative

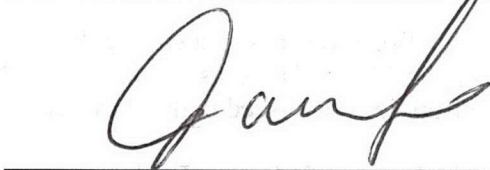
Name: JOSE DE LUNA MARTINEZ

Title: DEPUTY UNDERSECRETARY

Date: MAY 27, 2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By



Authorized Representative

Name: PABLO SAEZ

Title: COUNTRY DIRECTOR

Date: MAY 21, 2020

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

- A. Actions Taken Under the Program.** The actions taken by the Borrower under the Program include the following:
1. The Borrower's Central Bank has increased banks' liquidity by reducing the monetary regulation deposit, as evidenced by Circular 7/2020 published in the Official Gazette on April 1st, 2020.
 2. The Borrower's Central Bank has further enabled banks' access to liquidity facilities by reducing the cost of its ordinary additional liquidity facility, as evidenced by Circular 4/2020 published in the Official Gazette on April 1st, 2020.
 3. The Borrower has enacted the Reform to the Credit Institutions Law, published in the Borrower's Official Gazette on March 27, 2020, enabling minors between 15 and 17 years old, who are wage earners with an active payroll and/or receive social benefit programs to: (i) open bank saving accounts under their own name; and (ii) use and manage the underlying funds without requiring representation from an adult.
 4. The Borrower has issued regulations aimed at strengthening transparency practices applicable to ITFs, as evidenced by CONDUSEF's general dispositions for fintech institutions published in the Borrower's official Gazette on July 9, 2019.
 5. The Borrower's Central Bank has issued regulations to support the implementation of the electronic payment platform ("CoDi") and provide the legal framework for third-party Non-SPEI participants to offer the service of payment request generator, as evidenced by Circulars: (i) No. 11/2019 published in the official Gazette on October 1, 2019 and: (ii) No. 12/2019, published in the Official Gazette on October 3rd, 2019.
 6. The Borrower has enacted the Amendment to the Credit Institutions Law, published in the Borrower's Official Gazette on June 4, 2019, mandating the prioritization of programs and projects targeting women's needs and gender parity in state development banks' corporate governance structure.
 7. The Borrower has enacted the Education Law, published in the Borrower's Official Gazette on September 30, 2019, and issued the Training Program Operational Guidelines, published in the Borrower's Official Gazette on December 29, 2019, determining that financial education be part of the official school curricula from preschool through high school, and that selected primary and secondary public-school educators be trained on the subject to promote financial inclusion.
 8. The Borrower has established the National Service of Personal Identification which will enable the verification of individuals' identity to third parties including financial

institutions, as evidenced by article 58 of the *Reglamento Interior de la Secretaría de Gobernación*, published in the Borrower's Official Gazette on May 31, 2019.

9. The Borrower has enabled mechanisms to exchange data between civil registries related to individual's identity and its verification through adequate technological infrastructure and standardized operating rules in civil registries at the state level, including the binding of the legal identity with biometric data, as evidenced by the twenty-seven (27) Coordination Agreements signed with states of the Borrower.

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 Allocated (expressed in Dollars)
(1) Single Withdrawal Tranche	997,500,000
(2) Front-end Fee	2,500,000
TOTAL AMOUNT	1,000,000,000

- C. **Withdrawal Tranche Release Conditions.**

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

- D. **Deposit of Loan Amounts.**

The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the local currency equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

- E. **Closing Date.** The Closing Date is May 31, 2021.

SCHEDULE 2

Disbursement-Linked Amortization Repayment Schedule – Level Repayment

1. Subject to the provisions of Section 3.03 of the General Conditions, the Borrower shall repay each Disbursed Amount in semiannual installments payable on each March 15 and September 15, the first installment to be payable on the tenth (10th) Payment Date following the Maturity Fixing Date for the Disbursed Amount and the last installment to be payable on the twenty-eighth (28th) Payment Date following the Maturity Fixing Date for the Disbursed Amount. Each installment except for the last one shall be equal to one-nineteenth (1/19) of the Disbursed Amount. The last installment shall be equal to the remaining outstanding amount of the Disbursed Amount.
2. If any one or more installments of principal of the Disbursed Amount would, pursuant to the provisions of paragraph 1 of this Schedule, be payable after September 15, 2034, the Borrower shall also pay on such date the aggregate amount of all such installments.
3. The Bank shall notify the Loan Parties of the amortization schedule for each Disbursed Amount promptly after the Maturity Fixing Date for the Disbursed Amount.

APPENDIX

Section I. Definitions

1. “Amendment to the Credit Institutions Law” means the Borrower’s law that reforms the law on credit institutions, published in the Borrower’s Official Gazette on April 6, 2019.
2. “Banking Securities and Savings Unit” means the banking, securities and savings unit within SHCP.
3. “Borrower’s Central Bank” means *Banco de México*, the Borrower’s central bank.
4. “CNBV” means *Comisión Nacional Bancaria y de Valores*, the Borrower’s National Commission on Banks and Securities.
5. “CoDi” means *Cobro Digital*, an electronic platform for digital payment.
6. “CONDUSEF” means *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*, the Borrower’s National Commission for the Protection and Defense of the Users of Financial Services.
7. “Coordination Agreements” means jointly each one of the agreements entered into between the Borrower and each state regarding the coordination for the Population Registration and Identification Program, as duly published in the Borrower’s Official Gazette.
8. “Education Law” means paragraph XIV of Article 30 of the Borrower’s General Education Law published in the Borrower’s Official Gazette on September 30, 2019.
9. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018.
10. “ITFs” means *instituciones de tecnología financiera*, financial technology institutions.
11. “Non-SPEI” means *fuera del Sistema de Pagos Electrónicos Interbancarios*, not part of the Interbank Electronic Payments System.
12. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 13, 2020, 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.
13. “Reform to the Credit Institutions Law” means the Borrower’s law that reforms and adds different dispositions to the law on credit institutions and the federal civil code, published in the Borrower’s Official Gazette on March 27, 2020.

14. "SHCP" means *Secretaría de Hacienda y Crédito Público*, the Borrower's Ministry of Finance and Public Credit.
15. "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.
16. "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.
17. "Training Program Operational Guidelines" means the strategic line of financial education as defined in the Glossary, Annex 4 (Component 2) about academic strengthening of teachers, and Annex 6 about reporting quarterly technical-pedagogical actions, of the *Reglas de Operación del Programa Desarrollo de Aprendizajes significativos de Educación Básica para el ejercicio fiscal 2020*, of the Borrower's Operational Guidelines of the Development Program for Significant Learning on Basic Education for fiscal year 2020, published in the Borrower's Official Gazette on December 29, 2019.