

FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

FREQUENTLY ASKED QUESTIONS

Note: The contents of this FAQ's is provided for informational purposes only and shall not be construed or used as legal or tax counseling.

1. What does FATCA mean?

Foreign Account Tax Compliance Act (FATCA).

2. What is FATCA? What is FACTA's scope?

FATCA is a portion of the "Hiring Incentives to Restore Employment Act" (HIRE) approved by the United States Congress on March 18, 2010 which, among other duties, requires Foreign Financial Institutions to report about their U.S. accountholders and/or with tax duties in the United States of America (hereinafter "USA"), as well as, the information report for Federal Authorities in such country.

A Foreign Financial Institution means a foreign financial entity organized outside of the USA. Therefore we are not the only ones required to implement such Act.

3. What is FATCA's objective?

Achieve appropriate compliance from U.S. taxpayers that receive income from abroad through accounts and/or financial products established in Foreign Financial Institutions.

4. What are the fines or penalties imposed by FATCA in the event of default?

FATCA imposes a penalty of 30% withholding tax applied to payments of a U.S. source income and received by Foreign Financial Institutions (mainly interests and dividends).

5. What is FATCA's effective date?

FATCA became effective on 01.01.13; nevertheless the duties set forth in the provisions of such Act are being implemented in Mexico in phases. Therefore, here below are some important key dates:

- As of 07.01.14, Foreign Financial Institutions shall implement procedures for identification and documentation of new accounts for Individuals deemed U. S. citizens or having tax duties in such country.
- As of 01.01.15, Foreign Financial Institutions shall implement procedures for identification and documentation of new accounts for Companies having duties in the United States or controlled by the latter.

6. Is application of a foreign law in Mexico legal?

Last November 19, 2012 the Ministry of Finance and Public Credit executed an Intergovernmental Agreement (IGA) with the U.S. Treasury Department. This agreement eliminates all kinds of barriers, such as bank, stock exchange and fiduciary secrecy, since the information report is performed between Authorities and not by the Foreign Financial Institution to the U.S. Tax Authorities.

7. What obligations does FATCA confer to clients of Grupo Financiero Monex?

Grupo Financiero Monex shall determine if a new or active, Individual or Company, is a U.S. citizen or has tax duties in such country and, if so, request additional information and documents. It is important to point out that the accounts kept by these clients are deemed subject to FATCA reporting.

8. What type of accounts may be subject to reporting?

Any account opened in the Bank or Stock Market.

9. When is additional informational required from a new client (Individual)?

Additional information is required upon presence of any sign that the individual is a U.S. citizen or has tax duties in such country. If there is any evidence, the client shall be requested to fill out and sign the W-9 Form, otherwise the client shall be requested to sign a self certification form in which the client states being a foreign citizen and not having tax duties in the U.S.A.

10. What is the W-9 Form?

A form issued by the U.S. Government through which the "US TIN" of such person is obtained.

11. What does US TIN mean?

Means the United States Taxpayer Identification Number (US TIN) which corresponds to the *Registro Federal de Contribuyentes* (RFC for its acronym in Spanish) of our country. Generally, for Individuals it's their Social Security Number (SSN), while for Companies it's the Employer identification Number (EIN), invariably composed of 9 digits.

12. What is a U.S. Person?

The following are deemed U.S. Persons:

- A U.S. citizen or a person residing in such country; and,
- A company organized in the U.S.

13. When shall additional information be requested from a new client (Company)?

Additional information is requested upon presence of U.S. citizens or persons having tax duties in such country, holding 25% or more of the share structure of the Company. If no

individuals match this criteria, then signing of the Self Certification Form is requested. This form shall be exclusively signed by the **attorney-in-fact** of the Company.

Upon presence of such individuals within the share structure of the Company, the Compliance department may request, after having performed an assessment, the following:

1. Income Statements as of the year-end of the immediately preceding year with the purpose of determining if the Company is deemed Active (Company with an income derived from interest, royalties, dividends, foreign exchange profit, leases, among others, higher than 49% of the total gross income) and avoid considering the accounts held by such Company as subject to reporting to the U.S.A.
2. Request Form W-9, together with support documents from each individual with the aforementioned characteristics and deemed subject to reporting.

14. What is a Self Certification Form?

A document through which the **attorney-in-fact** states that no shareholder, holding 25% interest or greater, is a U.S. citizen or has tax duties in such country.