

August 5, 2004

The Honorable Mario Arana Sevilla  
Minister of Development, Industry and Commerce  
Managua, Nicaragua

Dear Minister Arana:

I have the honor to refer to discussions between the delegations of the United States and Nicaragua in the course of negotiations regarding paragraph 7 of Section F: Nicaragua of Annex 12.9.2 of the Dominican Republic – Central America – United States Free Trade Agreement signed this day (the “Agreement”) and to propose the following:

Nicaragua may establish the following requirements, among others:

- (a) that capital and reserves that foreign insurance companies assign to their branches must be effectively transferred and converted into domestic currency in conformity with Nicaraguan law;
- (b) that the increases of capital and reserves that do not come from capitalization of other reserves will have the same treatment as initial capital and reserves;
- (c) that in the transactions between a branch and its parent or other related companies, each shall be considered as independent entities;
- (d) that the branch owners or shareholders meet the solvency and integrity requirements established in Nicaragua’s insurance legislation; and
- (e) that branches of foreign insurance companies that operate in Nicaragua may transfer liquid profits only if they do not have an investment deficit in their technical reserves and risk patrimony, nor a deficit of risk patrimony.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments, which shall enter into force on the date of entry into force of the Agreement.

Sincerely,

Robert B. Zoellick

COURTESY TRANSLATION

August 5, 2004

The Honorable Robert B. Zoellick  
United States Trade Representative  
Washington, D.C.

Dear Ambassador Zoellick:

I am pleased to acknowledge your letter of today's date, which reads as follows:

“I have the honor to refer to discussions between the delegations of the United States and Nicaragua in the course of negotiations regarding paragraph 7 of Section F: Nicaragua of Annex 12.9.2 of the Dominican Republic – Central America – United States Free Trade Agreement signed this day (the “Agreement”) and to propose the following:

Nicaragua may establish the following requirements, among others:

- (a) that capital and reserves that foreign insurance companies assign to their branches must be effectively transferred and converted into domestic currency in conformity with Nicaraguan law;
- (b) that the increases of capital and reserves that do not come from capitalization of other reserves will have the same treatment as initial capital and reserves;
- (c) that in the transactions between a branch and its parent or other related companies, each shall be considered as independent entities;
- (d) that the branch owners or shareholders meet the solvency and integrity requirements established in Nicaragua's insurance legislation; and
- (e) that branches of foreign insurance companies that operate in Nicaragua may transfer liquid profits only if they do not have an investment deficit in their technical reserves and risk patrimony, nor a deficit of risk patrimony.

I have the honor to propose that this letter and your letter of confirmation in reply shall constitute an agreement between our two Governments, which shall enter into force on the date of entry into force of the Agreement.”

I have the honor to accept your proposal on behalf of my Government and to confirm that your letter and this reply shall constitute an agreement between our two Governments, which shall enter into force on the date of entry into force of the Agreement.

Sincerely,

Mario Arana Sevilla