

ANNEX 12A
UNDERSTANDING CONCERNING ARTICLE 12.1.3(a)

1. The Parties understand that this Chapter shall apply to measures adopted or maintained by a Party related to activities and services described in Article 12.1.3(a) only to the extent that a Party allows its financial institutions to supply such activities and services in competition with a public entity or a financial institution. The Parties further understand that this Chapter shall not apply to such measures:

- (a) to the extent that a Party reserves such activities and services to the government, a public entity, or a financial institution and they are not supplied in competition with other financial institutions; or
- (b) related to those contributions with respect to which the supply of such activities or services is so reserved.

2. For greater certainty, with respect to the activities or services referred to in Article 12.1.3(a), the Parties recognize that the taking of any of the following actions is not inconsistent with this Chapter.

A Party may:

- (a) designate, formally or in effect, a monopoly, including a financial institution, to supply some or all activities or services;
- (b) permit or require participants to place all or part of their relevant contributions under the management of an entity other than the government, a public entity, or a designated monopoly;
- (c) preclude, whether permanently or temporarily, some or all participants from choosing to have certain activities or services supplied by an entity other than the government, a public entity, or a designated monopoly; and
- (d) require that some or all activities or services be supplied by financial institutions located within the Party's territory. Such activities or services may include the management of some or all contributions or the provision of annuities or other withdrawal (distribution) options using certain contributions.

3. For purposes of this Annex, **contribution** means an amount paid by or on behalf of an individual with respect to, or otherwise subject to, a plan or system described in Article 12.1.3(a).