



MexDer

Mexican Derivatives Exchange

January, 2007

Overview

History

MexDer, The Mexican Derivatives Exchange was launched in December 1998; nowadays is one of the most dynamic Derivatives Exchanges worldwide.

Over the last years we have had important achievements:

-  **2002** Market Makers.
-  **2003** Partnership with MEXX.
-  **2004** Development of the options market.
-  **2005** New domestic members.
-  **2006** Remote Participants.

Market Participants

- **5** Clearing Members
- **29** Mexican Trading Members
- **2** Non Mexican Trading Members
- **23** Market Makers

Our Products

Futures Contracts

■ Currencies

- 📄 Mexican Peso / U.S. Dollar
- 📄 Mexican Peso / Euro

■ Indices

- 📄 IPC (Mexican Stock Exchange Index)

■ Individual Stocks

- 📄 Cemex CPO, Femsa UBD, Gcarso A1, Telmex L, Amx L

■ Fixed Income

- 📄 91 days Cetes (MXP Treasury Bill)
- 📄 28 days TIIE (Interbank Interest Rate)
- 📄 3 year Fixed Rate Bond in MXP (M3)
- 📄 10 year Fixed Rate Bond in MXP (M10)
- 📄 Inflation Index (UDI)

Our Products

Options Contracts

■ Currencies

 Mexican Peso / U.S. Dollar

■ Indices

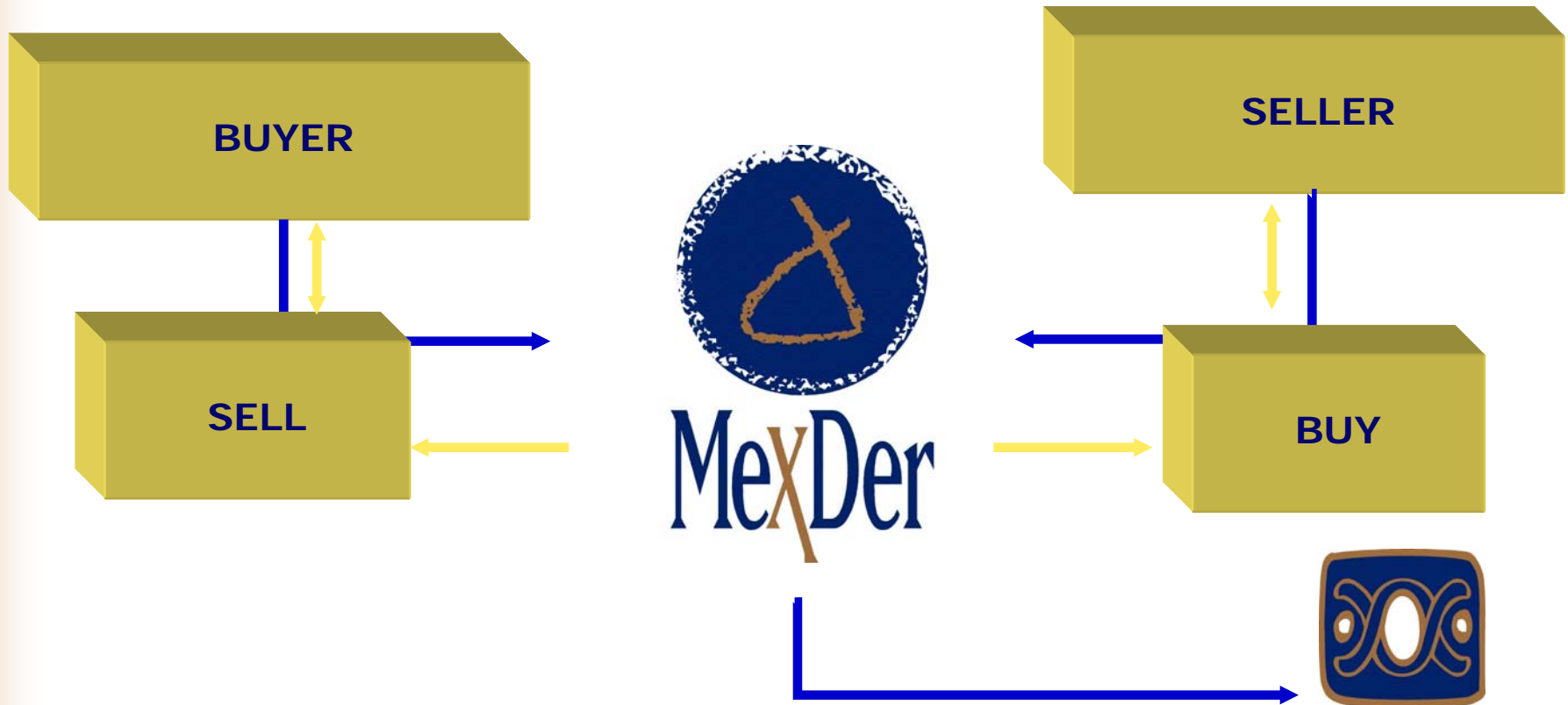
 Futures on IPC

■ Individual Stocks

 Amx L

 Naftrac 02

Clearing House



Fitch Rating

Standard&Poor's

Moody's

Local Rating

AAA (mex)

mxAAA/mxA-1 + local currency

AAA.MX

Global Rating

BBB/A-3 foreign currency

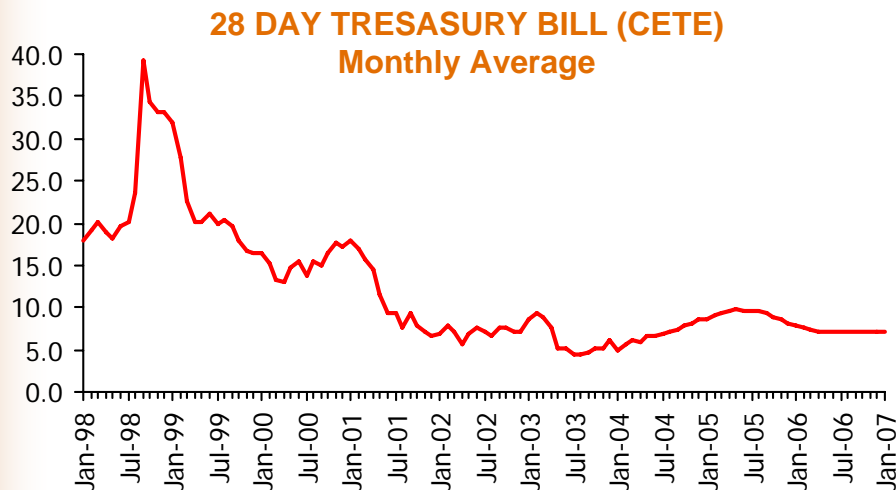
BBB/A-2 local currency

A1



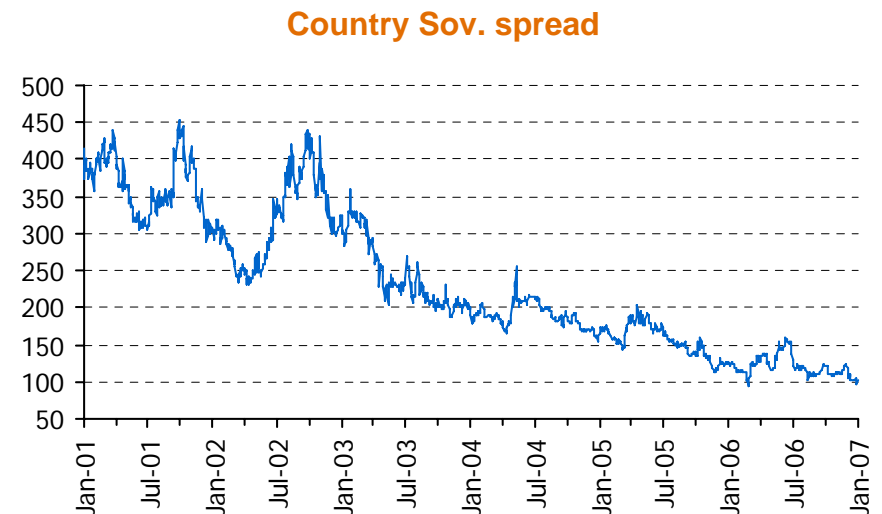
The Mexican Market in 2006

Macroeconomic and financial conditions are helping the development of the Mexican Market



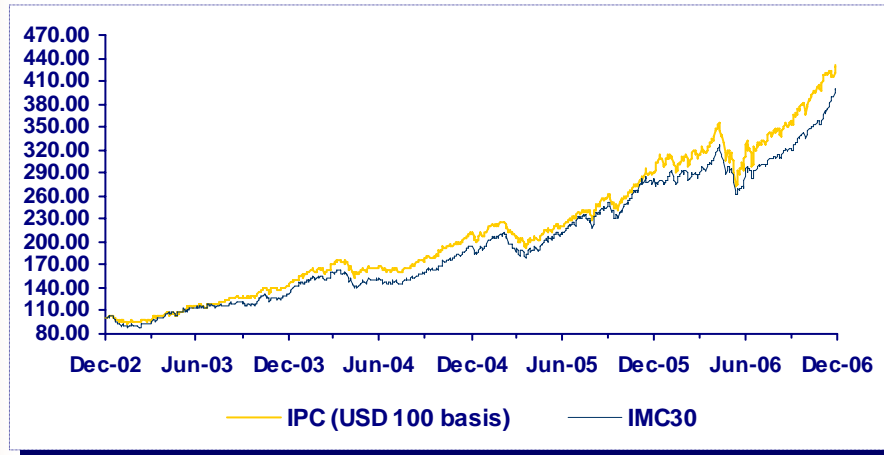
On December 2006 the level of the 28 day CETE was 7.04%. On December 2005 the same rate was 8.22%.

Country Risk level for Mexico, measured by JP Morgan's EMBI+ index was 166 points at the end of 2004. During 2006 this level showed a decreasing trend, locating its lowest level at 98 points by the end of December.



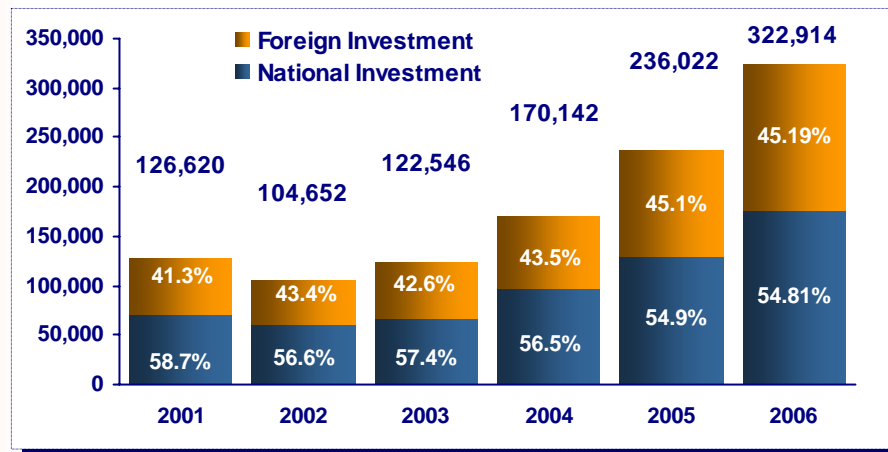
Mexico's Equity Market

IPC and IMC 30 Index behaviour
Dec 31, 2002 – Dec 29, 2006



- From 2002 to 2006, the IPC Index showed a **nominal growth of 332% in MXP and 317% in USD.**
- Just in 2006, the IPC returned **48.6% in MXP and 46.1% in USD.** One of the 10 most profitable markets worldwide.

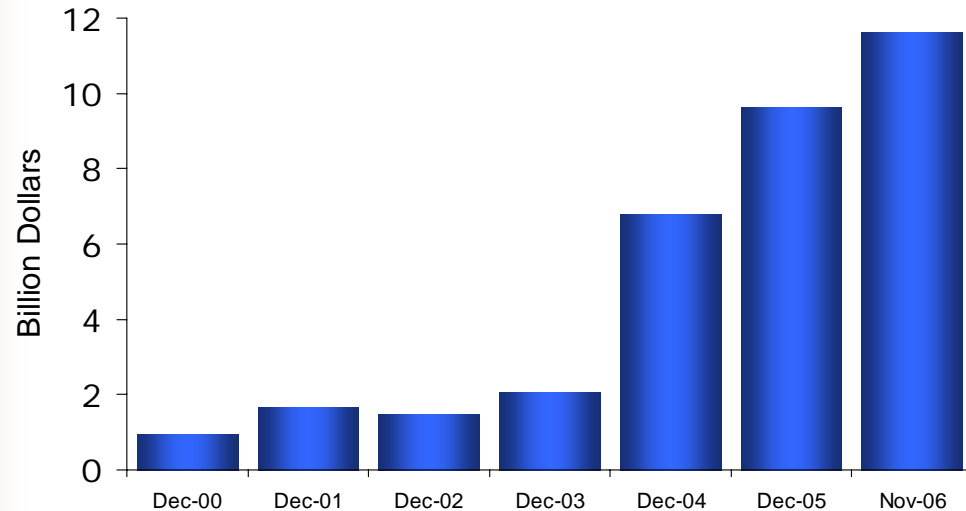
Market Value and Foreign Investment (2001 – 2006*)
(Million Dollars)



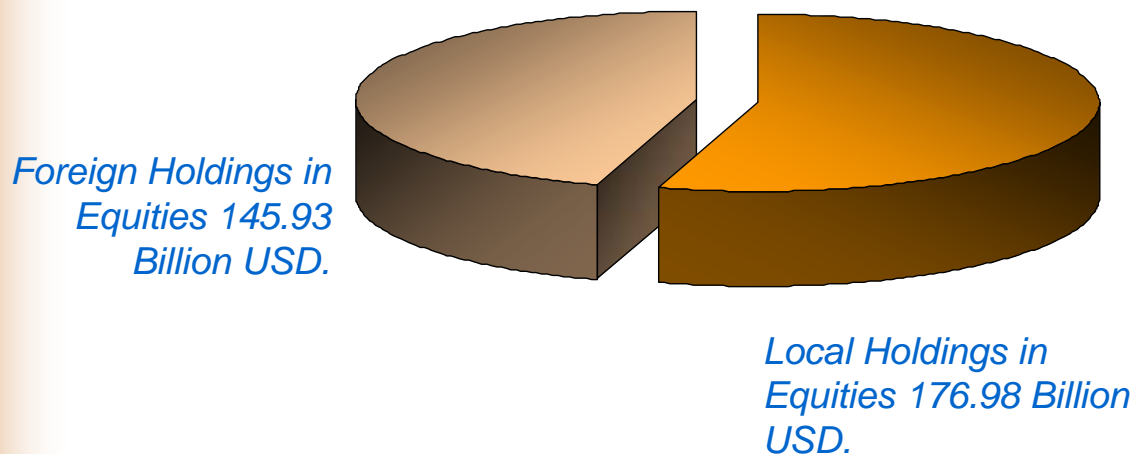
- Compared to the GDP, the market cap indicator went **from 19.9% in 2001, to around 49% in 2006.**
- From 2001 to 2006*, the **foreign investment** in the Mexican Stock Exchange, as a percentage of the market capitalization has been **around 43.5%.**

*January - November.

Foreign Investment MXN Government Securities & MXN Equity Market



**Foreign Investment in MXP
Debt Government Securities.**
***November 2006**



**Foreign holdings in equities,
as a percentage of the
Market Cap by November
2006.**

Structural Changes 2006

- Withholding Taxes.
- Omnibus Accounts.
- Remote Membership.
- CFTC No-Action Letters (IPC futures & screens).
- API/FIX Access.
- More local players to participate.

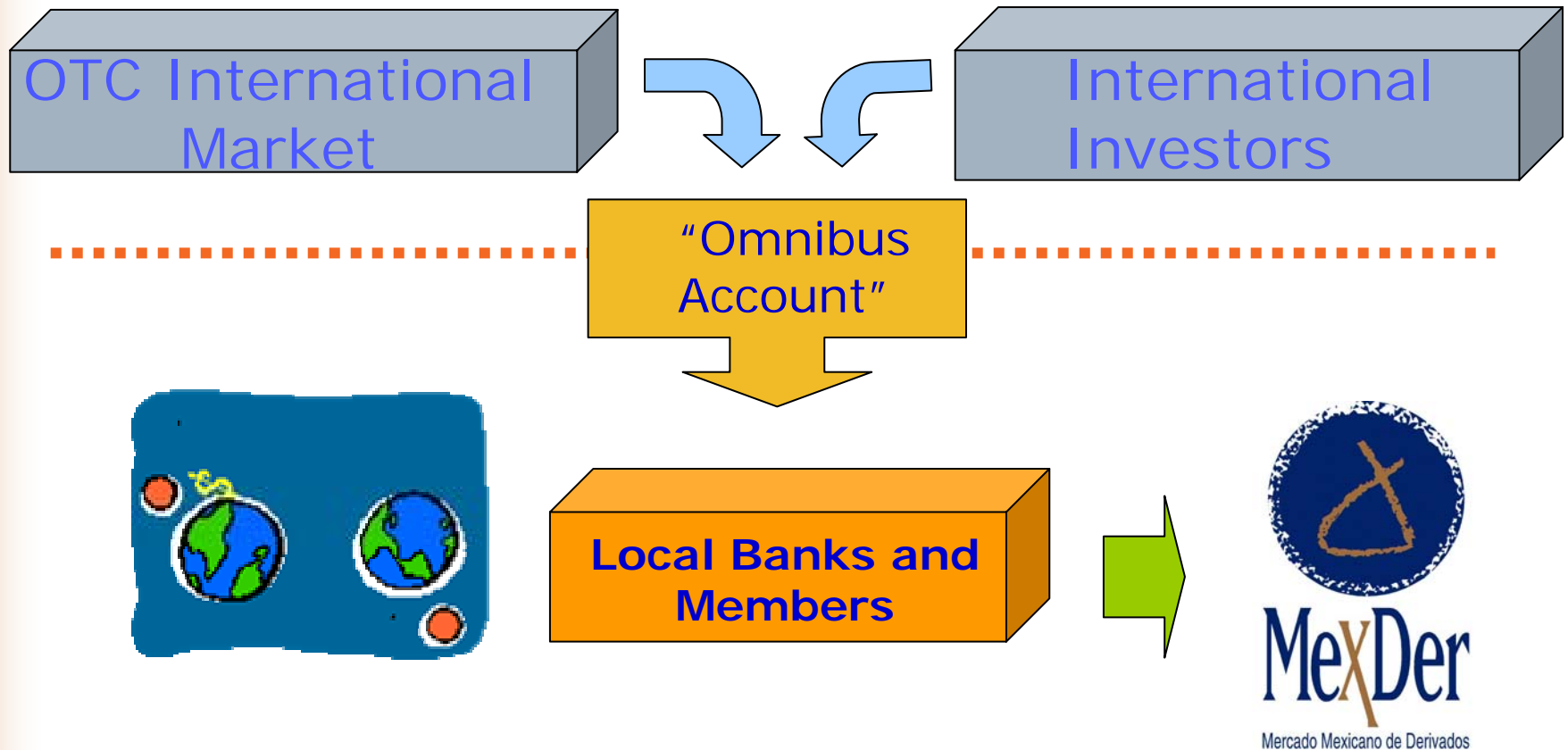


New Tax treatment for Foreigners

- **New Tax Treatment for derivatives!**
- Capital gains in **fixed income derivatives** traded in **MexDer** are not subject to withholding taxes anymore!
- Includes CETES, M Bonds and TIIE Futures.
- Arbitrage opportunities.
- Futures and Options on the Mexican Stock Exchange Index (Equities) are tax free.

Omnibus Accounts

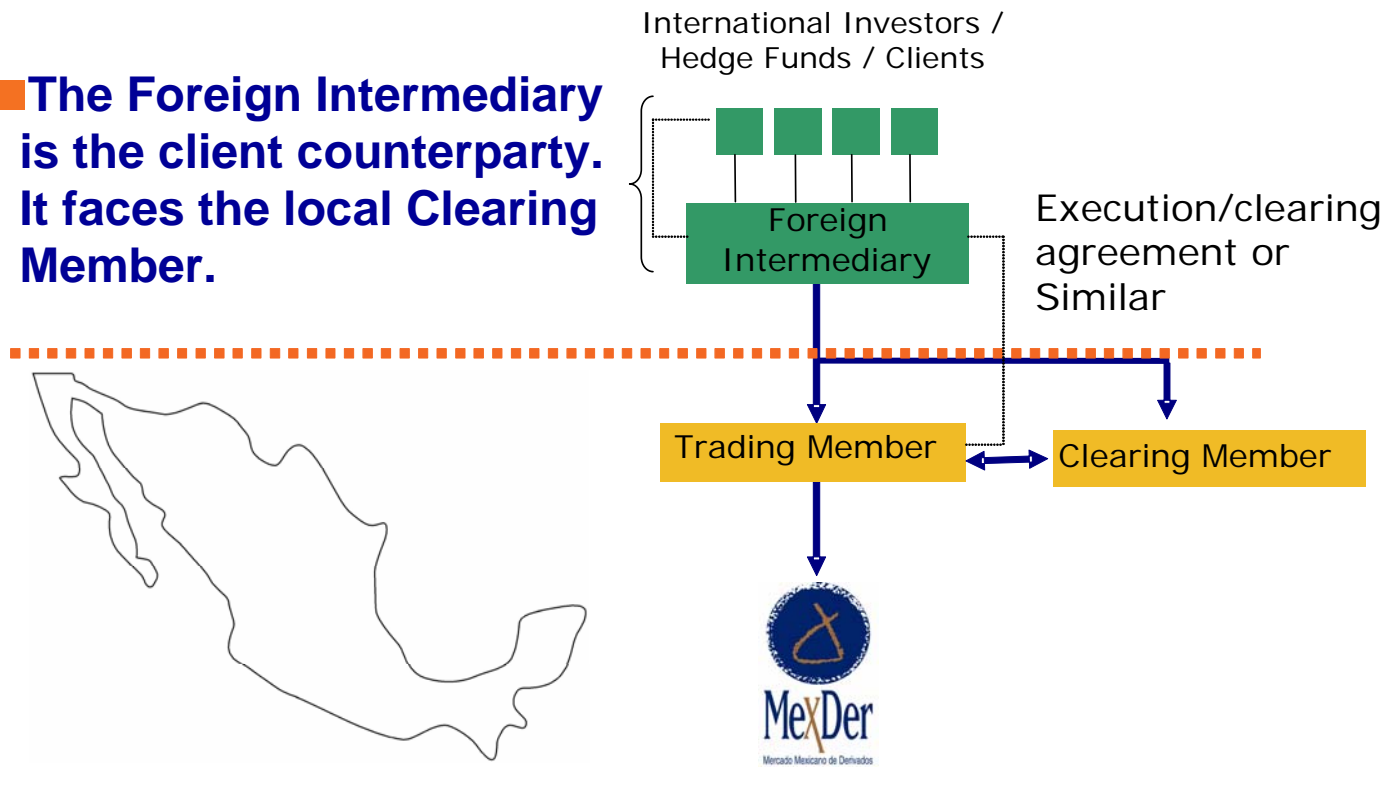
Attracting International Players



Now you can participate as an Omnibus Account

- An **Omnibus Account** allows a foreign intermediary to handle multiple clients in the market.
- Disclosure of clients information is not required.
- This useful tool allows your clients to trade MexDer easily and faster.

- **The Foreign Intermediary is the client counterparty. It faces the local Clearing Member.**



Remote Membership

- Now MexDer accepts trading members that are located outside Mexico.
- Objective: Increase the number of participants to add liquidity to the market.
- The first step...Proprietary trading only.
- Even though the access to the market is from overseas, the trades will be settled in Mexico through a local Clearing Member.



Commodity Futures Trading Commission
Office of External Affairs (202) 418-5080
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
www.cftc.gov

Release: 5223-06
For Release: August 30, 2006

CFTC Staff Allows Mexican Derivatives Exchange's Futures Contract Based on the Mexican Stock Exchange's IPC Index to Be Offered and Sold in the United States

Washington, D.C. - The Commodity Futures Trading Commission's (CFTC's) Office of General Counsel issued a no-action letter on August 24, 2006, permitting the offer and sale in the United States of the **Mexican Derivatives Exchange's (MexDer's) futures contract based on the Mexican Stock Exchange's Price and Quotation Index (IPC).**

The IPC is a broad-based, market-capitalization-weighted composite security index of highly capitalized and actively traded stocks currently listed on the Mexican Stock Exchange. Based on data supplied by MexDer, the total market capitalization of the IPC was approximately US\$ 155.6 billion as of August 30, 2005.

- *For information on foreign exchange-traded security index futures contracts pending no-action approval with the CFTC's OGC, see the **Foreign Instrument Approvals & Exemptions Backgrounder** at www.cftc.gov/opa/backgrounder/opapart30.htm.*

Media Contacts

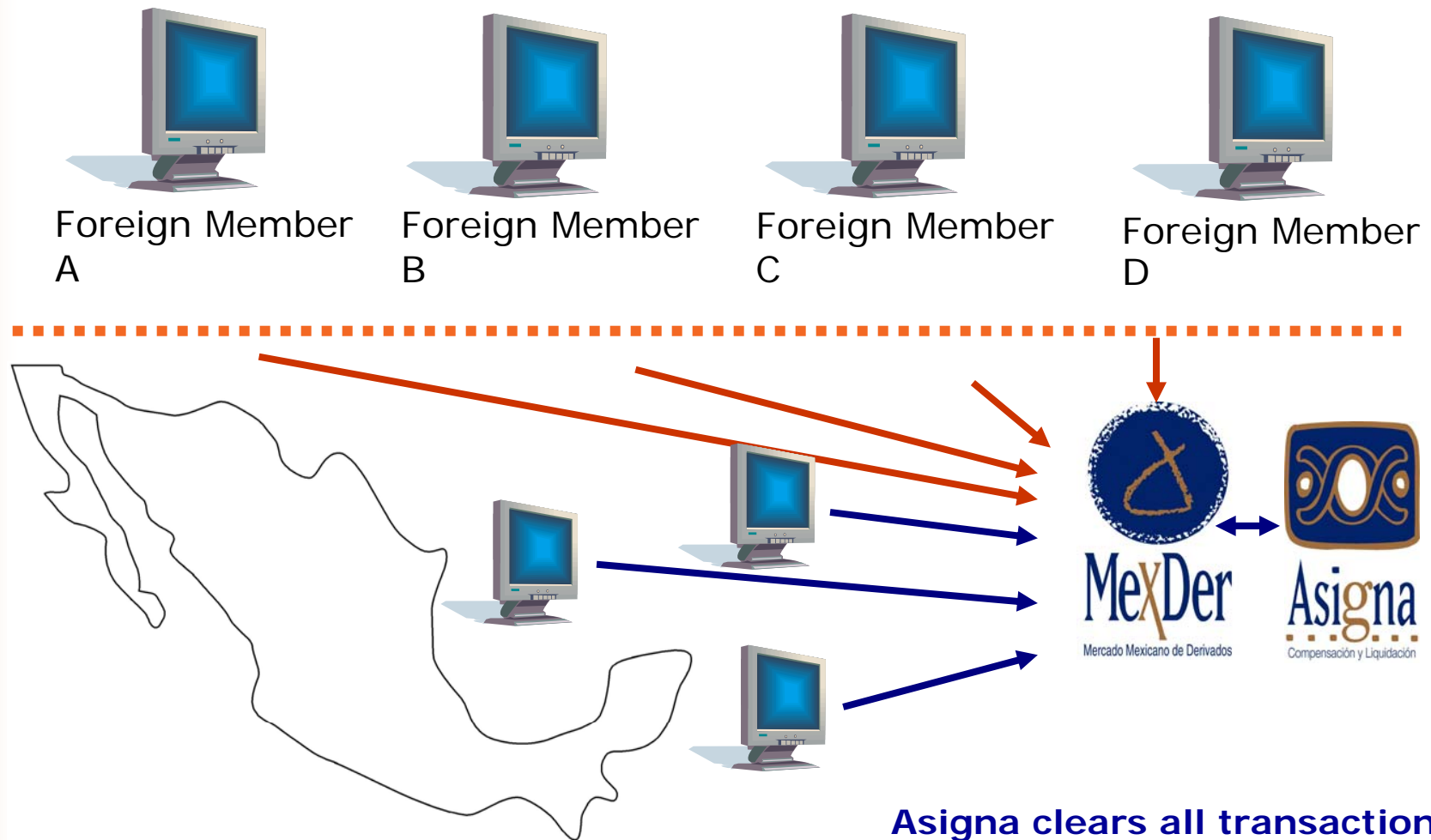
Alan Sobba
(202) 418-5080
Dennis Holden
(202) 418-5088
Office of External Affairs

Related Document

No-Action Letter No. 06-18

MexDer

We are ready to provide Remote Access to MexDer (API / FIX)



Asigna clears all transactions.

API / FIX Access

- MexDer provides Access via the Financial Information eXchange (FIX) protocol.



- Certified ISV's:

- ☑ Contact: **Vicente Bouza**
vbouza@comunytec.com



- ☑ Contact: **Robert Brown**
robert.brown@gltrade.com



- ☑ Contact: **Kevin Condri**
kevin.condrin@patsystems.com



- ☑ Contact: **John Dempsey**
j.dempsey@rtsgroup.net



Connecting to MexDer via FIX

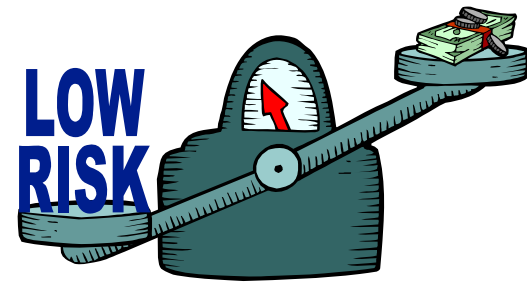
- Visit our website where you'll find further information such as:
 - 🖼️ “Connecting to MexDer” brochure.
 - 🖼️ Specifications of the interface (Layout).
 - 🖼️ Coding Tables.
 - 🖼️ Examples.

<http://www.mexder.com/MEX/MexFixEnglish.html>

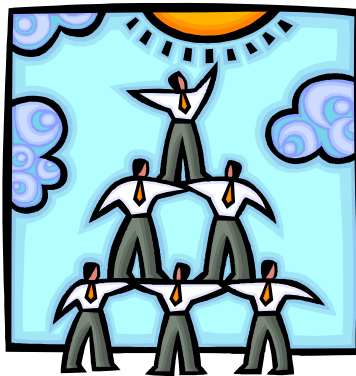
Other structural changes

- Recent modifications to net capital rules for Local Banks facilitates derivatives trading by netting of OTC and listed derivatives positions.

Capital Rules



More local Players participating



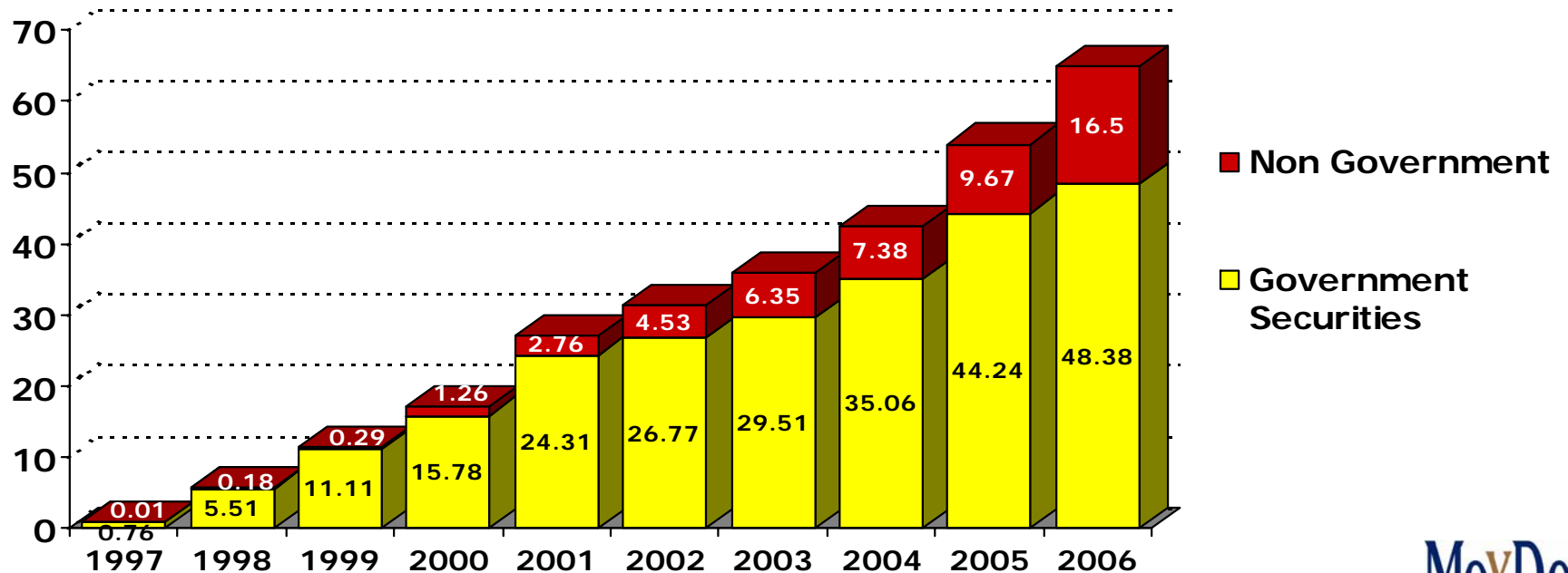
- Insurance Companies are now allowed to trade Derivatives Products in MexDer.
- The regulation for mutual funds regarding Derivatives is now ready.

An evolving Market

Pension Funds Development

- The financial assets of the Afores represented 7% of the GDP at the end of 2004.
- On 2005 the financial assets of the Afores rised 27%, and represented 8.5% of that year's Gross Domestic Product.
- By November 2006 the financial assets of the Afores have rised 48% compared to December 2004, and represents nearly 10% of this year's GDP.

Siefore's Financial Assets (Billion USD)
as of November 2006



New Participants... Pension Funds

- **2004** Pension Funds & Fixed Income Derivatives.
- **2005** Pension Funds & Equities & Equity Derivatives.
- **2006** Depth and liquidity into the market.

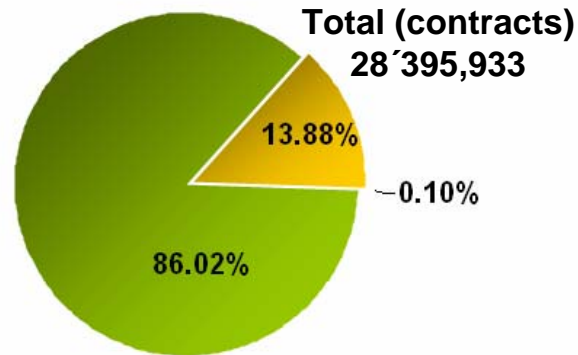
- As of November 2006 the Pension Funds AUM were 65 Billion USD.

- They are allowed to invest up to 15 % (net exposure) of their assets in Equity Indices. (Capital Protected Notes).
 - ⊕ Only 7.1% is invested.
 - ⊕ On 2005 this percentage was only 5%.

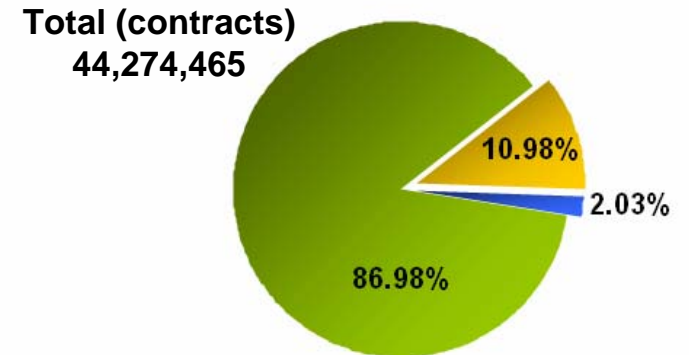
- There are 21 registered Pension Funds.
 - ⊕ Currently at MexDer only 8 of them are participating.

New Investment Rules... Impact

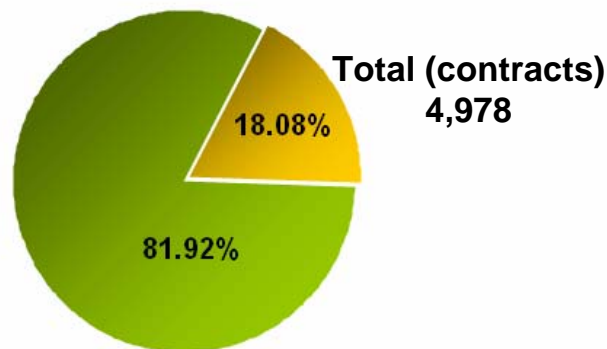
**TIE 28 day Futures Contracts
February 2005**



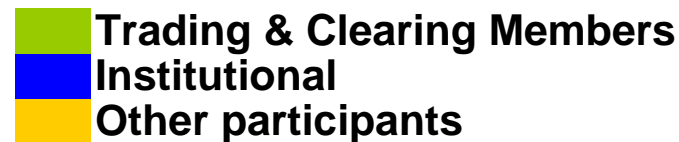
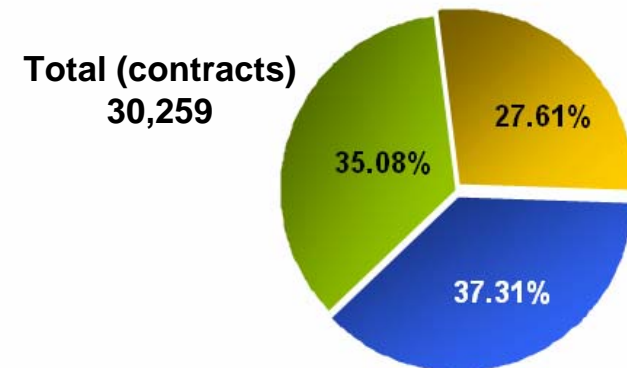
**TIE 28 day Futures Contracts
January 11, 2007**



**IPC Index Futures Contracts
February 2005**

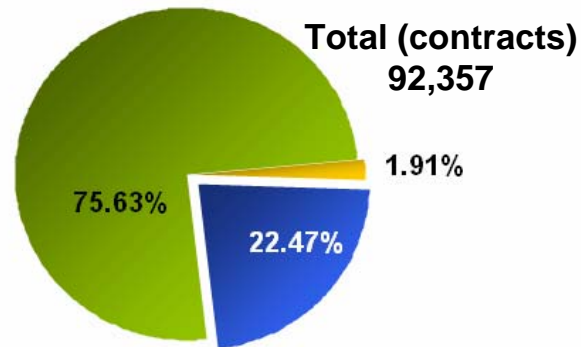


**IPC Index Futures Contracts
January 11, 2007**

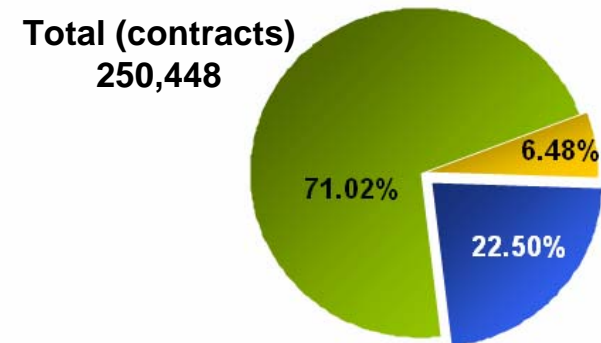


New Investment Rules... Impact

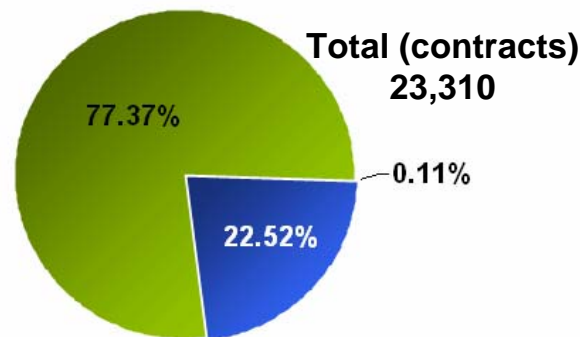
**MXP / USD Futures Contracts
February 2005**



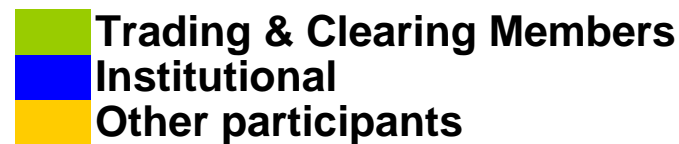
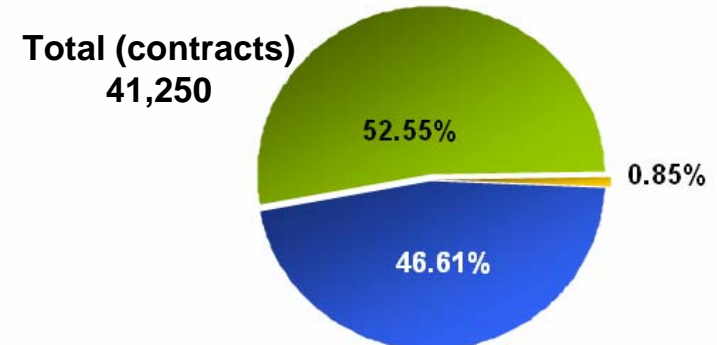
**MXP / USD Futures Contracts
January 11, 2007**



**10 Year Fixed Rate Bond Futures
February 2005**



**10 Year Fixed Rate Bond Futures
January 11, 2007**



New Investment Rules for local Institutions...Impact

- Important news for all markets, expected flows to local equities and foreign securities as well.
- Opportunities for investment banks, both foreign and locals.
- Synthetic products, structured notes already in use.
- Hedging needs on Mexican securities to grow.
- Significant role for the Derivatives Industry and for MexDer.

MexDer's Evolution

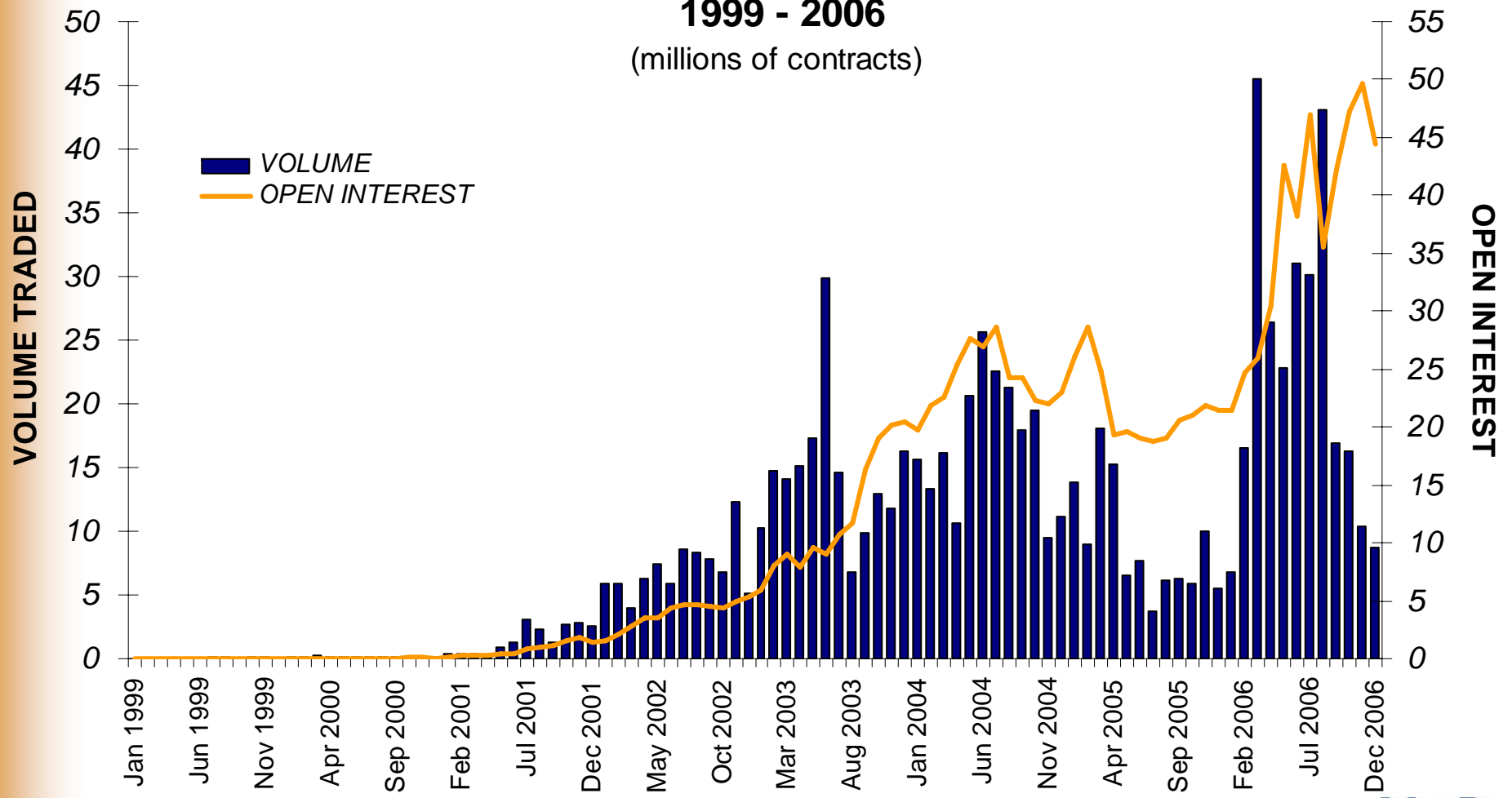
2006

Evolution of MexDer

MexDer Evolution (Futures Contracts)

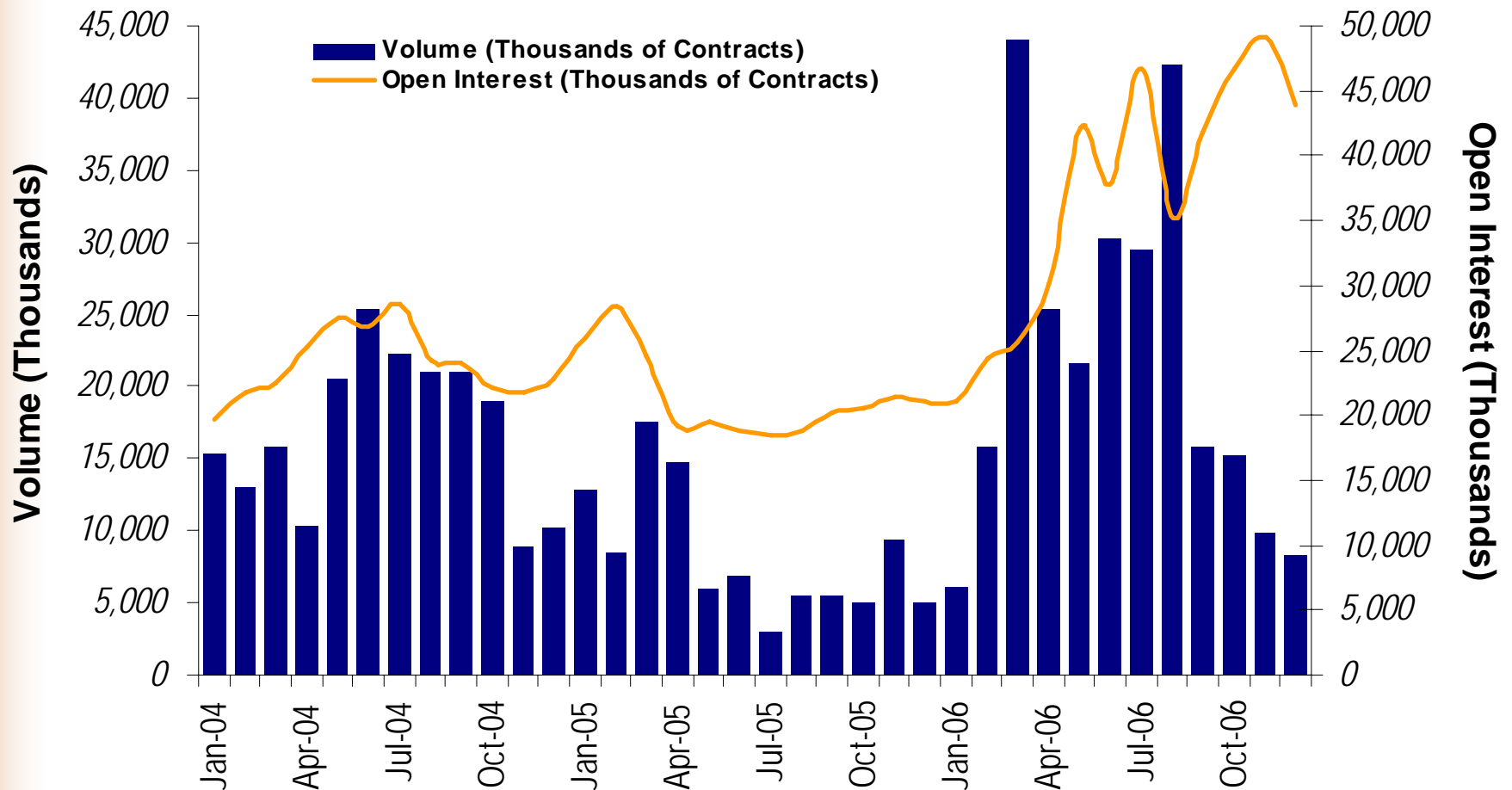
1999 - 2006

(millions of contracts)

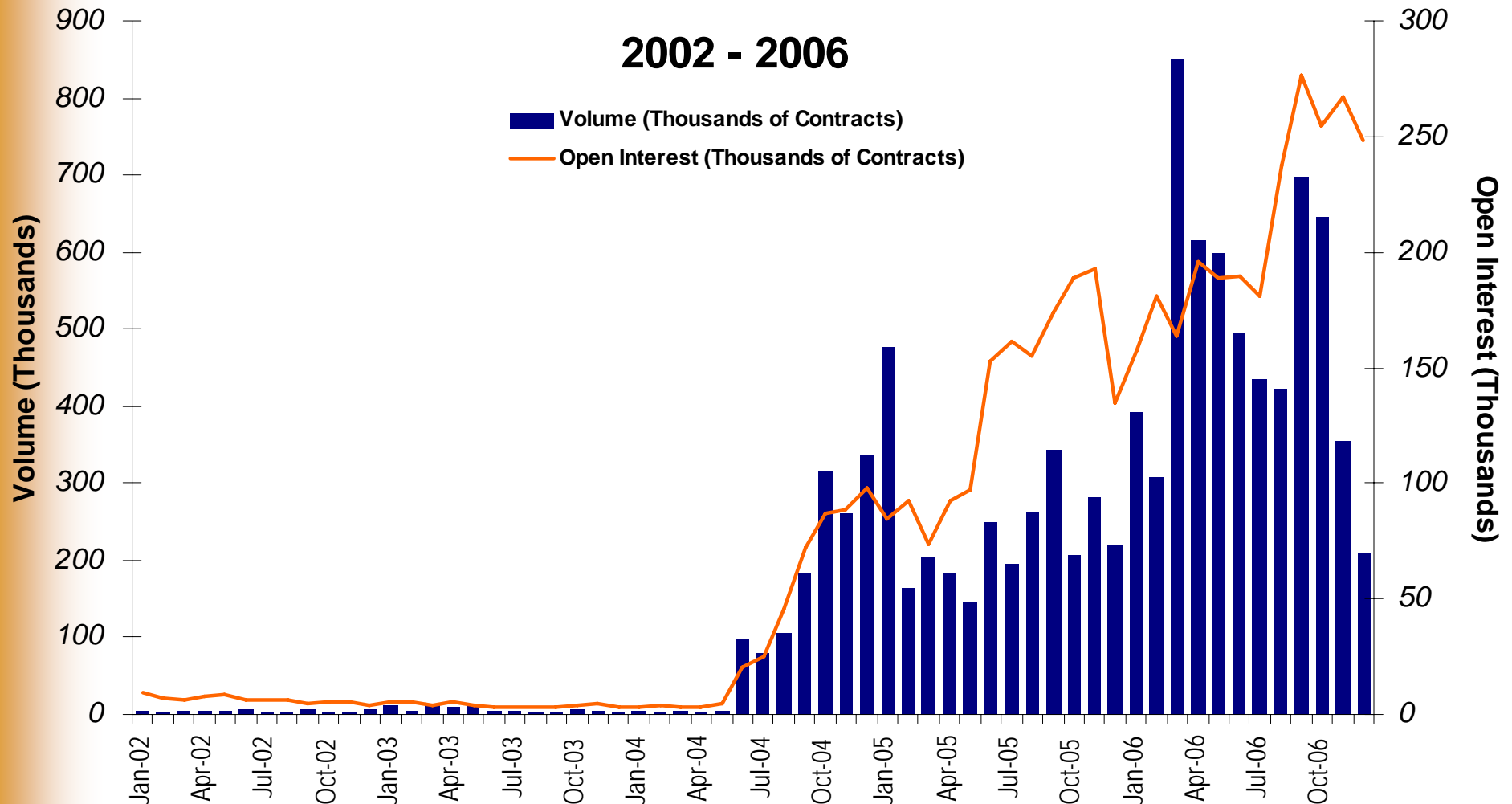


28-Day TIE Futures Contract Evolution

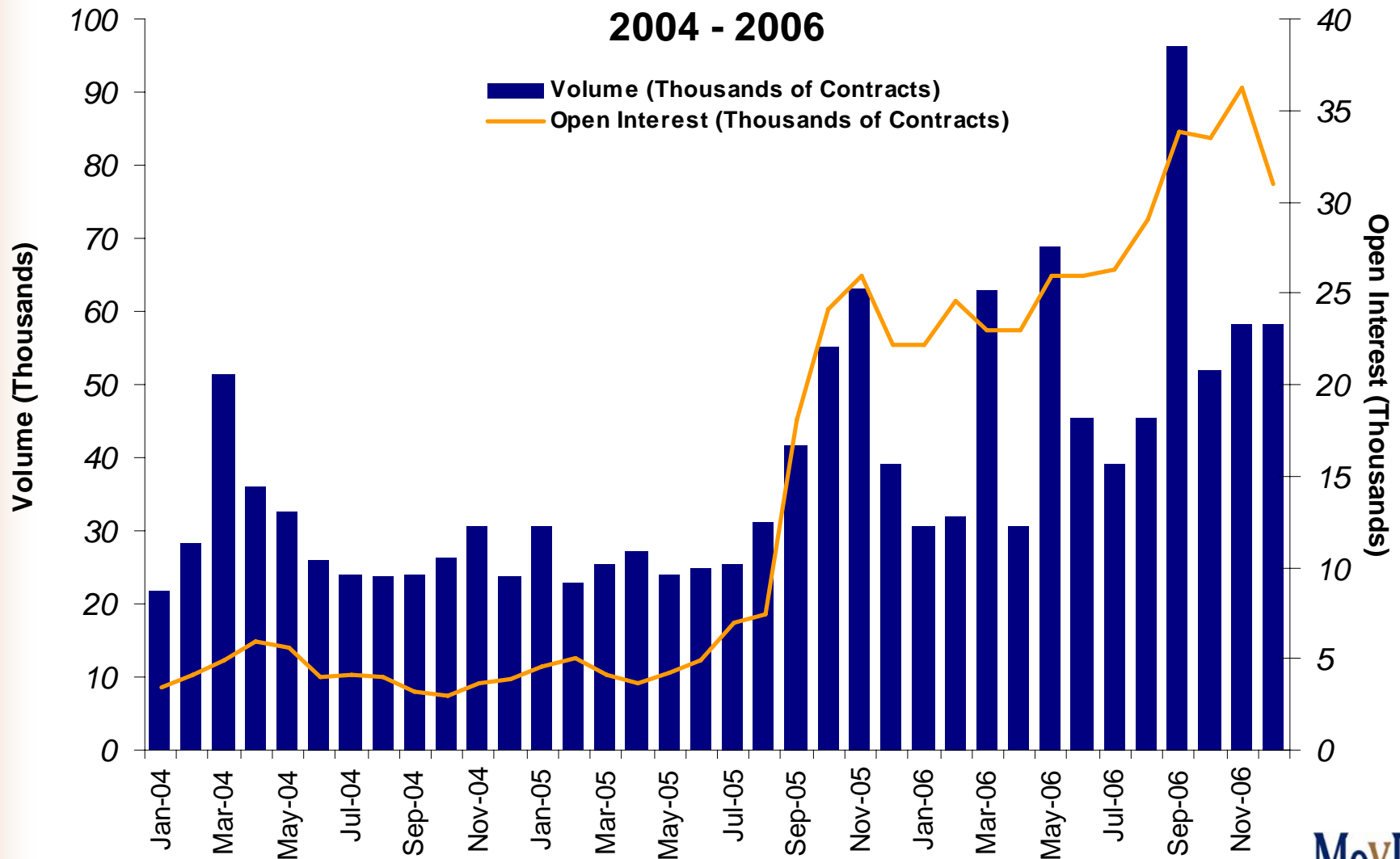
2004 - 2006



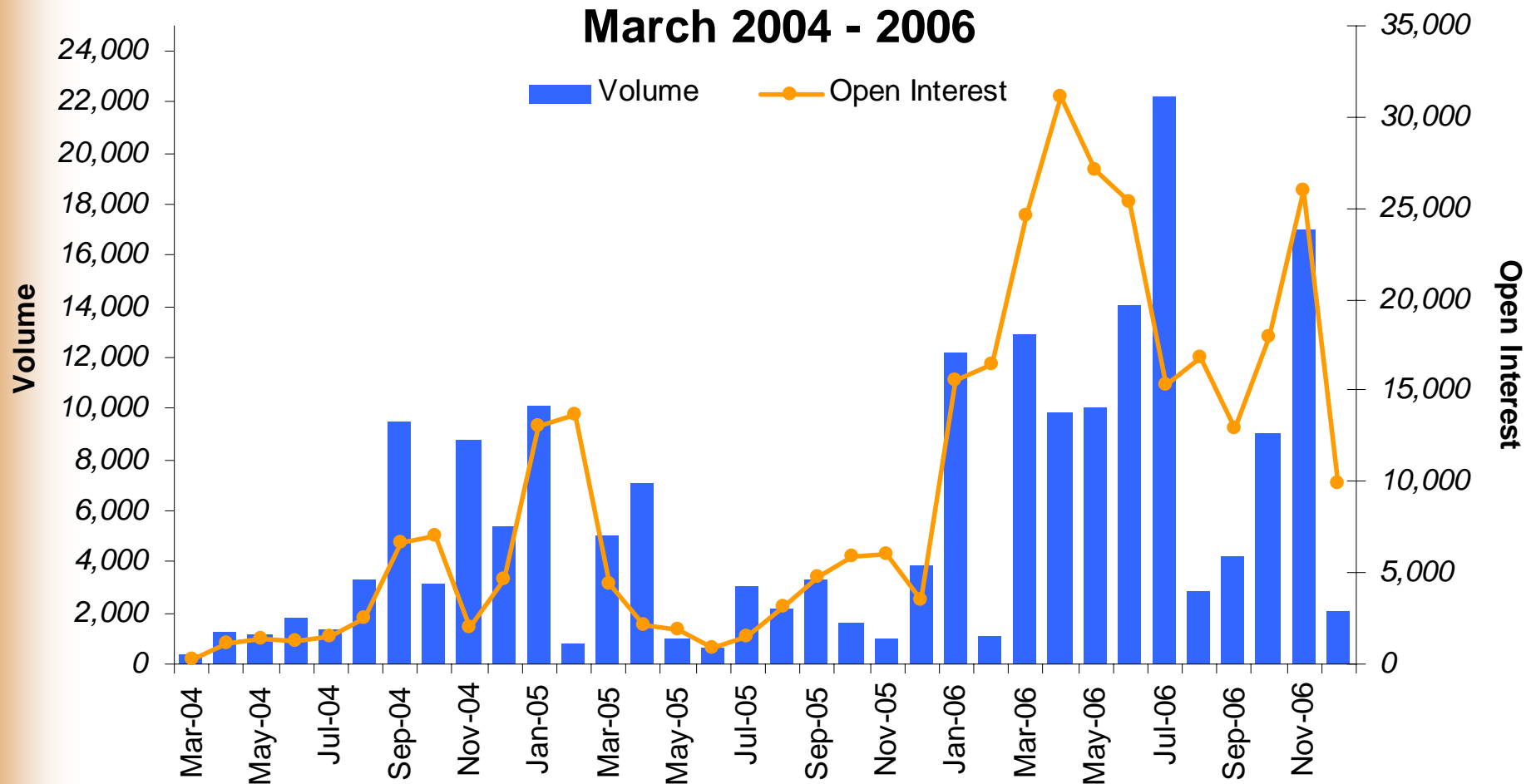
US Dollar (MXP/USD) Futures Contract Evolution



IPC Index Futures Contract Evolution

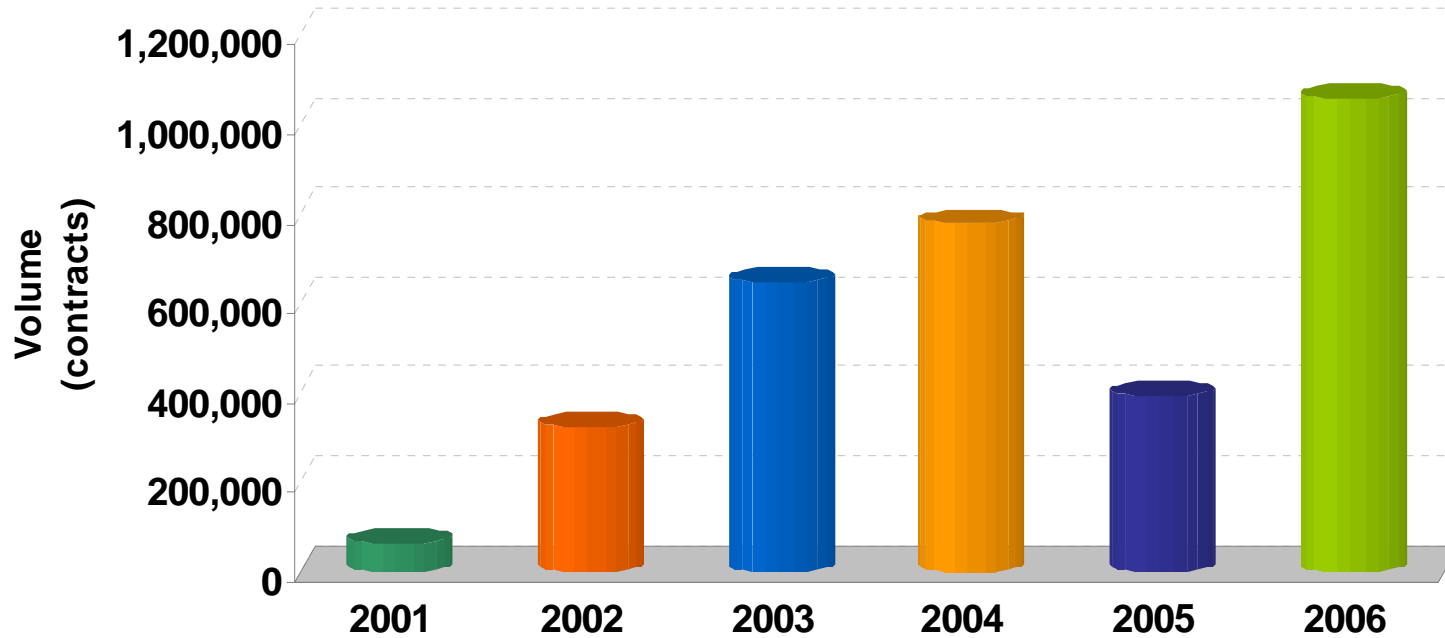


Futures on IPC Options Contract Evolution



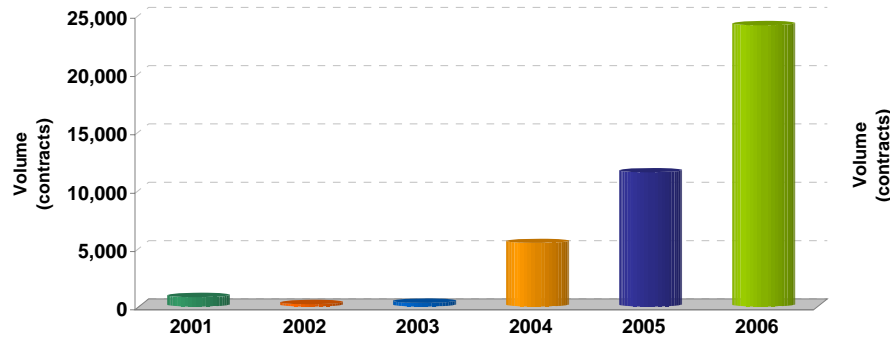
Daily Average Traded Volume

28-Day TIE Futures

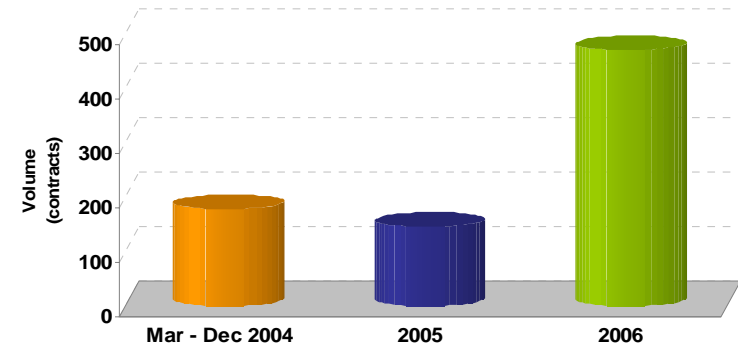


Daily Average Traded Volume

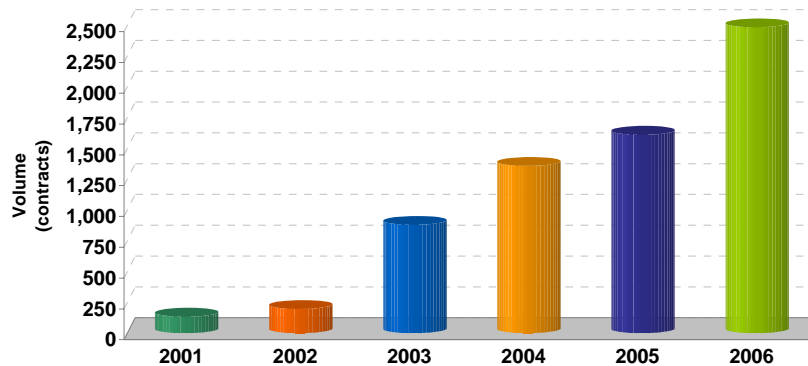
MXP / USD Futures



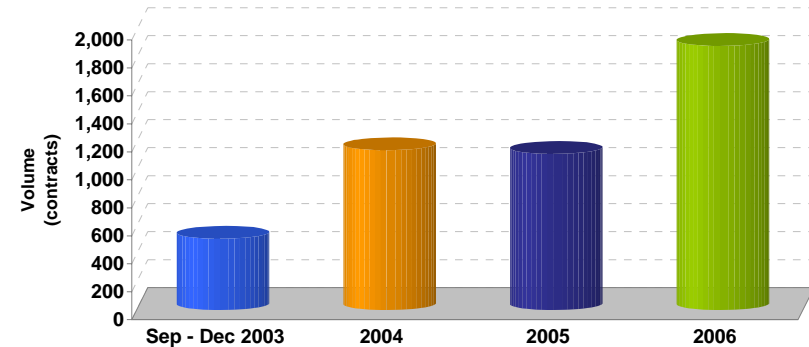
Options on IPC Futures



IPC Index Futures



10-Year Fixed Rate Bond Futures



MexDer in the global context

Top 20 Derivatives Exchanges by Volume

In millions of contracts

Exchange	Jan-Jun 2006	Jan-Jun 2005	% Change
Korea Exchange	1,241.05	1,096.61	13.2%
Eurex	824.29	639.22	29.0%
Chicago Mercantile Exchange	704.59	524.20	34.4%
Chicago Board of Trade	400.70	358.00	11.9%
Euronext.liffe	386.81	403.23	-4.1%
Chicago Board Options Exchange	338.40	216.55	56.3%
International Securities Exchange	299.52	209.11	43.2%
➡ Mexican Derivatives Exchange	149.40	70.55	111.8%
Bovespa	133.20	141.33	-5.8%
Bolsa de Mercadorias & Futuros	132.45	91.15	45.3%

Top 20 Derivatives Contracts by Volume

*In millions of contracts**

Contract	Jan-Jun 2006	Jan-Jun 2005	% Change
Kospi 200 Index Options, KRX	1,208.70	1,069.42	13.0%
Eurodollar Futures, CME	244.63	207.85	17.7%
Euro-Bund Futures, Eurex	173.30	163.69	5.9%
➡ TIE 28-Day Interbank Rate Futures, Mexder	143.30	66.33	116.0%
Eurodollar Options, CME	140.41	92.62	51.6%

How to participate?

1. As an Omnibus Account.

- Handling customer accounts through a Local Member or a Clearing Member.

2. As a Client.

- Proprietary Trader as a customer of a Local Member.

3. As a Remote Member.

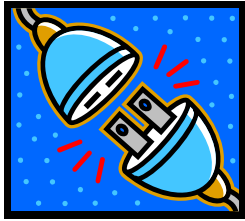
- Remote Membership with direct access to the trading system (initially prop trading only).

Final Remarks



Final Remarks...

- Foreign investors have an increasing interest to invest in Mexican assets as a result of:
 - Economic stability.
 - Investment grade status and global asset allocation.
 - Growing liquidity in MXP denominated securities. (Bonds and Equities)
 - The need to hedge market risks of Mexican securities.
 - CFTC's no action letter for IPC.



A great opportunity!

- Foreign Investors are trading the underlying securities through Foreign Intermediaries, who aren't participating now in MexDer.
- Big OTC Derivatives activity with severe credit limitations.
- “Omnibus Accounts” in place. This allows foreign Broker-Dealers and FCM's to put together an integral strategy for their clients, to offer MexDer's products and cover their hedging needs.
- Hedge Funds are very interested in Mexican Derivatives.



A great opportunity!

- MexDer is one of the most dynamic derivatives markets in the world.
- Growing participation of local institutional investors, and foreign participants.
- In addition, Insurance Companies and Mutual Funds will be joining the market as important new customers.
- **NO more withholding taxes** are applied to foreign investors.
- **Fast Remote Access.**



It's the right time...

- It is the right time for foreign institutions to explore how to participate in MexDer.
- Most of the changes here mentioned have just happened!
- The best way to get started... contact us!

From the US:

1 866 MEXDER1

**From the rest of the world:
(5255) 5726 6868**

Berenice Corral
bcorral@mexder.com
(5255) 5726-6829

MexDer



It's the right time...



- Banamex CitiGroup**
Vicente Aguirre (5255) 2226-6905
vaquirrecer@banamex.com
- Banco J.P. Morgan**
Marina Kharitonova (5255) 5540-9394
marina.x.kharitonova@jpmorgan.com
- BBVA Bancomer**
Gloria Roa (5255) 5621-9229
g.roa@bbva.bancomer.com
- Santander Serfin**
Rebeca Kuri (5255) 5261-5059
rkuri@santander.com
- Scotia Inverlat**
Jaime Ledesma (5255) 5728-1451
sledesmar@scotiabankinverlat.com

MexDer on Vendors

To watch MexDer's market information.

	Bloomberg	Reuters
Futures (general)	MMDD	MXN/FUTEX1
Options (general)		MXN/OPT1
<u>Futures Contracts:</u>		
CURRENCIES	<CRNCY>	
Mexican Peso / U.S. Dollar	DSA <CRNCY> CT	0#MXP:
Mexican Peso / Euro	BEA <CRNCY> CT	0#EURO:
INDICES	<INDEX>	
IPC (Mexican Stock Exchange Index)	ISA <INDEX> CT	0#IPC:
INTEREST RATES AND FIXED INCOME	<CMDTY>	
28 days TIIE (Interbank Interest Rate)	DOA <CMDTY> CT	0#TII:
91 days Cetes (MXP Treasury Bill)	GMA <CMDTY> CT	0#CTE:
3 year Fixed Rate Bond in MXP (M3)	MAA <CMDTY> CT	0#BN0:
10 year Fixed Rate Bond in MXP (M10)	DWA <CMDTY> CT	0#B10:
Inflation Index (UDI)	IUA <CMDTY> CT	0#UDI:

MexDer on Vendors

	Bloomberg	Reuters
<u>Futures Contracts:</u>		
INDIVIDUAL STOCKS	SFUT MD	
América Móvil L	AMXL=A <EQUITY> CT	0#AMX:
Cemex CPO	CEMEXCP=A <EQUITY> CT	0#CMX:
Femsa UBD	FEMSAUBD=A <EQUITY> CT	0#FEM:
Gcarso A1	GCARSOA1=A <EQUITY> CT	0#GCA:
Telmex L	TELMEXL=A <EQUITY> CT	0#TMX:
<u>Options Contracts:</u>		
INDICES		
Futures on the IPC	ISA <INDEX> OMON	0#IPC*.XD
INDIVIDUAL STOCKS		
América Móvil L	AMXL <EQUITY> OMON	0#AX*.XD
Naftac 02	NAFTRAC <EQUITY> OMON	0#NA*.XD
QQQ	QQQQ* MM <EQUITY> OMON	0#QQ*.XD
IVV	IVV* MM <EQUITY> OMON	0#IV*.XD
CURRENCIES		
Mexican Peso / U.S. Dollar	MXM <CRNCY> OMON	0#DA*.XD