

## **CIRCULAR 3/2012**

Mexico City, February 24, 2012.

### **TO CREDIT INSTITUTIONS AND RURAL FINANCIAL INSTITUTION:**

### **SUBJECT: PROVISIONS APPLICABLE TO TRANSACTIONS OF CREDIT INSTITUTIONS AND RURAL FINANCIAL INSTITUTION**

The Bank of Mexico, in order to facilitate the consultation of the regulations applicable to credit institutions and Rural Financial Institution, has decided to compile, standardize and systematize its content, using a structure similar to the one used in multiple laws through the division into topics grouped in titles, chapters, parts, sections and articles. The above in order to continue promoting the sound development of the financial system, protect the public interest and fostering the proper functioning of payment systems.

In that sense, the regulation addressed to commercial banks contained in Circular 2019/95, and the regulation addressed to development banks and Rural Financial Institutions contained in Circular 1/2006, is included in these new provisions. It is also included to these provisions the regulation addressed to credit institutions established in Circulars 23/2008, 25/2008 and 23/2009, which establish the amount from which checks must be nominative, the transfer of wages, pensions and other labor benefits, as well as the direct debit in bank deposit accounts, respectively.

It is important to highlight that in order to continue with the policy to regulate in one provision common topics that are applicable to different types of intermediaries, this Central Institute has decided that those provisions regarding the auctions for the placement of Government Securities and the auctions of Monetary Regulation Bonds and Government Securities, currently contained in the aforementioned Circulars 2019/95 and 1/2006, will be compiled in independent provisions that will be jointly addressed to the different types of financial intermediaries to which they are applicable.

At the same time, and consistent with such policy, this Circular does not include other provisions in force addressed jointly to credit institutions and other financial intermediates.

Additionally, in order to facilitate the consultation of this Circular, each article has being given a title, to serve as a guide for the easy identification of its content, regardless that such titles do not form part of said articles.

For such reason, this Central Institute, on the grounds of articles 28 of the Political Constitution of the United Mexican States, paragraphs six and seven; 7 sections I, II and X, 14, 16, 24, 26, 28, 31, 32, 33, 35 and 36 of the Law of the Bank of Mexico; 179 of the Law of Credit Instruments and Operations; 9<sup>th</sup> of the Organic Law of Nacional Financiera; 6<sup>th</sup> of the Organic Law of Federal Mortgage Corporation; 9<sup>th</sup> of the Organic Law of the National Bank of Savings and Financial Services; 9<sup>th</sup> of the Organic Law of National Bank of Foreign Trade; 10 of the Organic Law of National Bank of Works and Savings; 8<sup>th</sup> of the Organic Law of the Bank of the Army and Armed Forces; 18 and 19 of the Organic Law of the Rural Financial Institution; 4, 4 Bis, 16, 18, 19, 19 Bis, 21 and 22 of the Transparency and Financial Services Arrangement Law; 46 Bis-5, 48, 48 Bis 2, 52, 53, 54, 57 and 64 of the Credit Institutions Law; 4 paragraph one, 8 paragraphs four and seven, 10 paragraph one, 12 paragraph one regarding 19 section VII, 14 Bis regarding 17 section I, 14 Bis 1 paragraph one regarding 25 Bis 1 section IV and 25 Bis 2 section II, as well as 20 section XI of the Internal Regulations of the Bank of Mexico, which grant it the attribution to issue provisions through the Directorate General of Central Bank Operations, the Directorate General of Legal Affairs, the Directorate General of Financial System Issues, and the Directorate of Payment Systems, respectively, as well of article two, sections III, VII, IX and XI of the Order for the Assignment of the Administrative Units of the Bank of Mexico, has resolved to issue the following:

## **PROVISIONS APPLICABLE TO THE TRANSACTIONS OF CREDIT INSTITUTIONS AND RURAL FINANCIAL INSTITUTION**

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GENERAL PROVISIONS**

**Subjects**

**Article 1.-** These Provisions apply to Commercial Banks and Development Banks, except when otherwise stated.

**Definitions**

**Article 2.-** For brevity reasons, either in singular or plural, in these Provisions will be understood as:

Money Market Assets: those assets in Foreign Currency used by the Commercial Banks for the calculation of the regimes to admit liabilities and investment for Transactions in Foreign Currency, as stated below:

- a) Securities with secondary market, with an original maturity over one year, other than those included in item c) of the definition of Liquid Assets; provided they comply with the following requirements:
  - i) The issue has an outstanding amount equal or greater than one hundred million US Dollars; and
  - ii) The holding of the Commercial Bank is less than or equal to twenty percent of the outstanding amount.

These requirements shall not apply to issues of securities with an original term with an original maturity of more than one year to be paid by foreign financial entities and Institutions;

- b) Commercial paper and other securities with secondary market, with a Rating for Liquidity Requirement and an original maturity of up to one year;
- c) Term deposits with a maturity from eight Days to one year, as well as credits and securities without secondary market, with a maturity of up to one year, to be paid by foreign financial entities having a Rating for Liquidity Requirement;
- d) Deposits and securities to be paid by Institutions, for

which there is no secondary market, as well as credits of Institutions and Mexican securities firms, all of them with maturity of up to one year;

- e) Credit lines obtained from foreign financial entities having a Rating for Liquidity Requirement in order to guarantee, under any legal figure, the payment of term financial instruments not exceeding one year issued by the Commercial Bank, where the issuance of the relevant instrument is pending.

The above provided that:

- i) Such credit lines do not have any clauses which cancel, hinder or restrict the placement of such instruments or their exercise;
  - ii) If those credit lines are exercised, the Commercial Bank has a minimum term of sixty-one Days, as of the corresponding withdrawal, to make the payment and
  - iii) The resources from such placement are not committed for a specific use;
- f) Assets stated in items c) to f) of the Liquid Assets definition that have been given, in term transactions with maturity of up to one year, as collateral, loan, repo or through any legal figure which limit their free availability;
  - g) Deposits of two to seven Days in foreign financial entities having a Rating for Liquidity Requirement which are not considered as Liquid Assets because they exceed the limit referred to in paragraph one of section III of article 235 of these Provisions; and
  - h) Part of investments in companies for investment funds that the Bank of Mexico determines upon request of the Commercial Banks, which are not considered as Liquid Assets because they exceed the limits referred to in section IV of article 235 of these Provisions.

Liquid Assets:

Foreign Currency assets that are not pledged as collateral, loan, repo or there is no other similar transaction executed with them that limits their free availability, used by Commercial Banks to calculate admission schemes of liabilities and investment for Foreign Currency Transactions, which are outlined below:

- a) Cash;
- b) Deposits in the Bank of Mexico;
- c) "Treasury Bills", "Treasury Notes" and "Treasury Bonds" issued by the Government of the United States of America, as well as debt securities issued by the agencies of said government, that have an unconditional guarantee from the government itself;
- d) Demand Deposits and Deposits from one to seven Days in foreign financial institutions that have a Rating for Liquidity Requirement;
- e) Deposits in foreign financial institutions that have the Rating for Liquidity Requirement containing clauses allowing full or partial withdrawal, on demand or one Day, for the part that may be withdrawn on Day after the one concerned;
- f) Investments in investment companies or investment funds that the Bank of Mexico authorizes upon proposal of the Commercial Banks through the Association of Mexican Banks, meeting the following requirements:
  - i) Being managed by financial institutions that are directly or indirectly controlled by entities that correspond to the following countries: Germany, Belgium, Canada, United States of America, France, Italy, Japan, Netherlands, United Kingdom, Sweden and Switzerland;
  - ii) Be known as "money market funds or liquidity market funds";
  - iii) Having an international rating of at least BBBm granted by Standard & Poor's or its equivalent of another internationally recognized agency. It will be considered as not having the rating, when the corresponding financial institution, company or issue is rated by two agencies and any of them is less than the one indicated, and
  - iv) In terms of the prospectus and/or relevant contract, it is allowed to withdraw one hundred percent of the investment within a maximum term of seven Days.
- g) Unused portion of the credit lines granted to the Commercial Bank by any foreign financial institution

having a Rating for Liquidity Requirement that:

- i) Has no provisions which invalidate, hinder or limit their exercise;
- ii) Cannot be revoked in advance;
- iii) May be exercised within two Banking Days following the date that corresponds to the calculation and at any time they are exercised, the payment period is not less than sixty-one Days, and
- iv) The proceeds from the exercise are not committed for a specific use.

**Bank of Customer:** Institution carrying the Account with regard which the Direct Deposits are performed.

**Bank of Supplier:** Institution that, upon request of Supplier, instructs the Bank of Customer charges to the Account from Direct Debits.

**BONDES:** Development Bonds of the Federal Government of the United Mexican States, denominated in Mexican pesos or UDIS, both at fixed rate and variable interest rate.

**UMS BONDS:** debt securities denominated in Foreign Currencies, issued by the Federal Government of the United Mexican States in international markets.

**BREMS:** Monetary Regulation Bonds issued by the Bank of Mexico.

**Rating for Liquidity Requirement:** rating for short-term debt, equal to or greater than A-2 or P-2, as applicable, granted for international effects to a financial institution, company or issuance in question, by Standard & Poor's or Moody's, as well as the rating equivalent to the aforementioned given by other internationally recognized agencies, which is used to calculate the admission regime of liabilities and investment for Foreign Currency Transactions. When the corresponding financial institution, company or issuance is rated by two agencies and any of them is less than the one indicated, it will be considered as not having the rating.

**Clearinghouse:** central entity or centralized processing mechanism through which payment instructions or other financial obligations related to Documents are exchanged.

**Payment Capacity:** sum of the balance that the corresponding Institution has in deposits at the Bank of Mexico, plus the credit it may have

available therewith.

CBIC-FARAC:	stock certificates for road compensation with the guarantee of the Federal Government of the United Mexican States, issued by the National Bank of Works and Savings S.N.C., Development Bank, in its capacity as trustee in the support trust for the rescue of licensed highways.
CETES:	Certificates of the Federal Treasury issued by the Federal Government of the United Mexican States.
Special CETES:	CETES issued according restructuring programs for credits in UDIS.
CLABE:	Standardized Bank Key of eighteen digits used to identify a bank account.
Compensation:	determination of debit and credit balances, resulting from the presentation of information in the Clearinghouse concerned, on rights and payment obligations of the participating Institutions.
Account:	credit and debit records made under a demand or savings Deposit contract.
Account in US Dollars:	deposit account in US Dollars that Institutions must open and maintain at the Bank of Mexico.
Originator Account:	bank demand deposit account in which, among other resources, a customer receives Employment Benefits.
Receiving Account:	bank demand deposit account held by a customer in an Institution, where among others, the resources received from the Originator Account regarding Employment Benefits will be transferred.
Sole Account:	deposit account in Mexican currency that Institutions must open and maintain at the Bank of Mexico.
Segregated Coupons:	those segregated coupons of BONDES referring to the "Rules for Segregation and Reconstitution of Instruments" issued by the Secretariat of Finance and Public Credit.
Deposits:	bank deposits of money that Institutions receive.
Days:	days of the calendar year.
Banking Business Days:	days when the Institutions are not obliged to close nor suspend operations, as set forth in the general provisions

	issued by the National Banking and Securities Commission for such purpose.
International Banking Business Days:	days that are banking business days in the United Mexican States, and in those places where the banking transaction concerned is settled.
Currencies:	US Dollars, as well as any other currency freely transferable and convertible into the currency quoted.
Documents:	checks in the Mexican pesos, the Wire Funds Transfer Service, the Service for Direct Debit of Bills and Exchange and Clearing Service of Banking Cash.
US Dollars:	legal tender in the United States of America.
Direct Debit:	explicit consent of the holder of an Account to make recurrent charges in his Account, regarding the payment of goods, services or credit.
Institutions:	Commercial Banks and Development Banks, jointly.
Development Banks:	National Bank of Foreign Trade, S.N.C., Development Bank; Bank of the Army and Armed Forces, S.N.C., Development Bank; National Bank of Savings and Financial Services, S.N.C., Development Bank; Nacional Financiera, S.N.C., Development Bank; Federal Mortgage Corporation, S.N.C., Development Bank, and National Bank of Works and Services, S.N.C., Development Bank. For purposes of these Provisions, Rural Financial Institution will be understood as part of this definition.
Commercial Banks:	legal entities authorized to act in that capacity in terms of the provisions of the Credit Institutions Law.
Ordering Institution:	Institution that holds the Originator Account.
Receiving Institution:	Institution that holds the Receiving Account.
RSP Manual:	Operating Manual of the RSP Module, which can be consulted in the Bank of Mexico's website.
Precious Metals:	gold and silver.
RSP Module:	Repo Module for providing liquidity to the Payment System of SIAC-BANXICO.

Foreign Currency: US Dollars, as well as any other currency freely transferable and convertible into the currency quoted.

Foreign Currency to Receive: one that Commercial Banks are entitled to receive due to the execution of:

- a) Currency transactions in cash executed with the following Mexican financial institutions: Institutions; securities firms; investment companies; retirement fund investment companies; foreign exchange firms; insurance companies; having a short-term rating equal or above mxA-2 in the national scale (CaVal) of the agency Standard & Poor's or an equivalent rating to that given by other internationally recognized agencies, and foreign financial institutions or other parties that possess the Rating for Liquidity Requirement, and
- b) Derivative transactions entered into in recognized markets, derivative transactions with the following Mexican financial institutions: Institutions, securities firms, investment companies, retirement fund investment companies, insurance companies, having a short-term rating equal or above mxA-2 in the national scale (CaVal) of the agency Standard & Poor's or any equivalent rating to that given by other internationally recognized agencies, and foreign financial institutions or other parties that possess the Rating for Liquidity Requirement. All the above mentioned transactions must have a maturity of up to one year.

Obligations to pay: total amount of the set of Documents and transactions from the Wire Funds Transfer Service, Receipt Direct Debit Service and the Exchange and Banking Cash Clearing Service, submitted to Clearinghouses in charge of a specific Institution.

Foreign Currency Transactions: any transaction denominated in or referred to a Foreign Currency.

Employer: person who hires the Payroll Service with an Ordering Institution and sends payment instructions of Employment Benefits to Originator Accounts or Receiving Accounts.

PIC-FARAC: promissory notes for road compensation with the guarantee of the Federal Government of the United Mexican States, issued by the National Bank of Works and Savings, S.N.C., Development Bank, in its capacity as trustee in the support trust for the rescue of licensed highways.

Calculation Term:	term to maturity of the Foreign Currency Transactions.
Short Position:	sum of assets from the Institutions subject to currency risk that diminish their value in Mexican currency and the liabilities that increase it, in case of a depreciation of the exchange rate of the Mexican peso against any currency other than the legal tender of the United Mexican States.
Long Position:	sum of assets of the Institutions subject to currency risk that increase their value in Mexican currency and liabilities that reduce it, in case of a depreciation of the exchange rate of the Mexican peso against any currency other than the legal tender in the United Mexican States.
Exchange Risk Position:	difference between the Long Position and the Short Position.
Employment Benefit:	wages, pensions and any other benefit that Employer pays to customer.
Supplier:	person providing the good or service or granting the credit, authorized by the holder of the Account to instruct charges on the Account.
Reception of US Dollars:	transaction by means of which the Bank of Mexico receives US Dollars in foreign correspondents to be credited to the US Dollar Account of an Institution.
SAGAPL:	System of Warranties and Repos Management of SIAC-BANXICO.
Direct Debit of Receipts Service:	service operated by any Clearinghouse to carry pre-authorized debit transactions.
Exchange and Compensation Service of Banking Cash:	service operated by any Clearinghouse to settle the exchange of cash between Institutions.
Payroll Service:	service provided by Institutions to Employers through which they deposit the resources related to Employment Benefits of their employees, through wire funds transfers.
Wire Funds Transfer Service:	service operated by any Clearinghouse to make payments by wire funds transfers funds between Institutions.
Deposit Auctions:	those made by the Bank of Mexico to receive term deposits.

Liquidity Auctions:	those made by the Bank of Mexico to provide liquidity to Institutions, in which the respective assignments may be formalized through a guaranteed credit or a repo.
SIAC-BANXICO:	Customer Service System of the Bank of Mexico.
SICAM:	subsystem of SIAC-BANXICO by means of which the net balances arising from Clearing both of Documents and of transactions made through Wire Funds Transfer Service, Receipt Direct Debit Service and Exchange and Banking Cash Clearing Service are performed, and calculates the credit required to settle the balances of the Clearing of Documents or the mentioned transactions.
SPEI:	Interbank Electronic Payment System.
Branches Overseas:	branches and agencies established overseas by Institutions with the authorization of the National Banking and Securities Commission.
TIE:	Interbank Equilibrium Interest Rate in Mexican currency published by the Bank of Mexico in accordance with the Chapter IV of Title III of these Provisions.
Banking Securities:	debt securities with secondary market registered in the National Registry of Securities referred to in the Securities Market Law, issued, accepted, endorsed or guaranteed by Institutions.
UDIS:	accounting units which value in Mexican currency is published by the Bank of Mexico in the Official Gazette of the Federation, according to the provisions of articles Three of the "Decree that establishes the obligations that may be denominated in investment units and amends and supplements various provisions of the Federal Tax Code and the Income Tax Law" and 20 Ter of the Federal Tax Code.
UDIBONOS:	BONDES denominated in UDIS.
Securities:	Banking Instruments and other debt commercial paper registered in the National Registry of Securities, other than the Government Securities and Monetary Regulation Bonds issued by Bank of Mexico.
IPAB Securities:	credit instruments issued by the Institute for the Protection of Bank Savings on which Bank of Mexico acts as financial agent for the issuance and placement.

Government Securities: BONDES, BONDS UMS, CETES, CBIC-FARAC, Segregated Coupons, UDIBONOS and PIC-FARAC. For purposes of these Provisions, IPAB Securities will be part of this definition.

### **Characteristics of the transactions**

**Article 3.-** The Institutions may only carry out liability transactions that are included in these Provisions, and other regulations of the Bank of Mexico, and they will be prohibited from performing them with characteristics different from those set by the Central Bank itself.

In the event that any Institution intends to perform such liability transactions which are not regulated by the Bank of Mexico or with characteristics different from those mentioned herein, they must request for the prior authorization of the Bank of Mexico, specifying the characteristics of the transactions in question.

Institutions may only perform those transactions other than the passive transactions authorized by the Credit Institutions Law, other laws, these Regulations and any other applicable regulations. When the Bank of Mexico does not provide the specific characteristics for the transactions referred to herein, the Institutions may determine them freely.

### **Authorizations**

**Article 4.-** The requests for authorization that the Institutions submit to the Bank of Mexico in terms of these Provisions must be submitted before the Legal Authorizations, Consultation and Regulatory Control Division.

### **Time zone**

**Article 5.-** The schedules referred to in these Provisions will always refer to the time zone of Mexico City, Federal District, unless otherwise specified.

## **TITLE TWO TRANSACTIONS WITH THE PUBLIC**

### **CHAPTER I LIABILITY TRANSACTIONS**

#### **Section I Liability transactions in Mexican currency**

##### **Subpart A General provisions for Deposits**

## **Transparency**

**Article 6.-** In all transactions performed by Institutions with their customers, they must inform them about the rights and obligations of both parties. Additionally, in the instruments documenting the specified transactions, the Institutions must state the characteristics of the transaction, as well as, among others, the following information:

- I. Legal nature;
- II. Term and maturity date;
- III. Annual interest rate, if any;
- IV. Method of calculating interest, if any;
- V. Date for payment of principal and, if any, interest, as well as the way they will be available; and
- VI. Applicable fees.

## **Types of Deposits**

**Article 7.-** The Institutions may receive the following Deposits:

- I. On demand;
- II. Able to be withdrawn on preset days;
- III. Savings;
- IV. Fixed term;
- V. With prior notice; and
- VI. In special personal accounts for savings.

## **Account-holders**

**Article 8.-** Institutions may open Deposit accounts denominated in Mexican pesos to individuals and corporations. Special accounts for savings and accounts of tiers 1 and 2 for demand Deposits may only be open by individuals.

Notwithstanding the above, the Development Banks may only open accounts for individuals when their organic laws so permit.

## **Credit of resources**

**Article 9.-** Institutions must receive their resources to be credited into the account through:

- I. Cash;
- II. Electronic fund transfers; and
- III. Checks.

Additionally, Institutions may receive resources to be credited into an account by other means as they may freely determine.

## **Interest rates and interest**

**Article 10.-** Institutions must report the interest rates applicable to Deposits in simple annualized terms based on a year of three hundred sixty Days, without including taxes payable, if any.

The Deposits received by the Institutions will not have agreed any alternative interest rates.

Institutions may divide into two or more periods the term of one Deposit, provided however that since its inception, it is established the interest rate applicable to each of the periods.

Regarding fixed term Deposits with automatic renewals, the interest rate applicable for each renewal shall not be less than the one informed by the depository Institution under article 37 of these Provisions for Deposits with the same characteristics at the opening of operations of the renewal date, unless it had expressly agreed to a lower rate than this.

In order to calculate the interest accrued on the funds deposited in the accounts in question, the Institutions must apply the respective interest rates on the average daily balances for the period in which they have been in force.

## **Changes in interest rates**

**Article 11.-** Interest rates agreed to on Deposits may be amended, as follows:

- I. In demand and savings Deposits, Institutions may reserve the right to change the rate; and
- II. In Deposits able to be withdrawn on preset days, the rates may only be modified on the Days on which the depositor may make withdrawals.

In term Deposits, Institutions may not change the interest rate during the term.

## **Documentation**

**Article 12.-** Institutions must document the Deposits they enter into according to the following:

- I. In the case of demand Deposits, as well as Deposits able to be withdrawn upon prior notice and able to be withdrawn in preset days, through contracts, and
- II. In case of term Deposits, through certificates or records of term deposit.

## **Other features**

**Article 13.-** In addition to the provisions of the preceding articles, Institutions must comply with the following:

- I. The Institutions may agree automatic renewals of Deposits. In case the maturity date of the Deposit is not a Banking Business Day, the transaction shall be deemed renewed precisely on that Day for a period equal to the originally contracted. In this case, the rates that the Institution had published in accordance with article 37 of these Provisions for liability transactions of the same kind being renewed, of the Banking Business Day immediately preceding the renewal or, where appropriate, the reference rate fixed according to article 38 of these Provisions, shall apply.

If on the Banking Business Day immediately following the renewal referred to above, the holder appears to withdraw the resources, such renewal will be canceled and the Institution shall deliver such resources and the relevant interest, which will be accrued at the rate originally agreed, considering all the Days actually elapsed, even the payment day.

In the case of Deposits where there is no agreement of automatic renewal and on the maturity date the holder does not appear to receive payment, the Institutions must, as of the Banking Business Day immediately following maturity, transfer the resources to a demand Deposit account or renew them at a one-day period, and must pay at least the yield published for such type of Deposits.

- II. For term Deposits, the term must be set in Days and be mandatory for both parties.

Deposits documented through certificates, shall not be renewed at maturity, while those documented through records may be automatically renewed at maturity.

- III. Regarding savings Deposits, interest will be paid monthly in due allowance by crediting the account itself.

## **Subpart B Demand Deposits**

### **Levels of transaction**

**Article 14.-** Demand Deposit accounts will be classified into four tiers of operation depending on the requirements for opening each account, in accordance with the provisions of the "General Provisions referred to in article 115 of the Credit Institutions Law" of the Secretariat of Finance and Public Credit.

Such accounts shall comply with the following:

- I. In the accounts classified as tier 1, the sum of the amounts of credits during a calendar month shall not exceed the equivalent in Mexican currency of seven hundred and fifty UDIS. The balance of the accounts may not exceed at any time the equivalent in Mexican pesos of one thousand UDIS.
- II. In the accounts classified as tier 2, the sum of the amounts of credits during a calendar month shall not exceed the equivalent in Mexican currency of three thousand UDIS.
- III. In the accounts classified as tier 3, the sum of the amounts of credits during a calendar month shall not exceed the equivalent in Mexican currency of ten thousand UDIS.
- IV. In the accounts classified as tier 4, the credit of resources shall have no limit, except in case the Institutions agree on one with their customers.

In tier 2 accounts, the Institutions may receive additional monthly Deposits to the limit established up to the equivalent in Mexican currency of six thousand UDIS, provided that the origin of the resources is solely from government grants related to government support programs for certain sectors of the population.

To calculate the amount in UDIS for the limits stated herein, the Institutions must take into account the value of each unit of account of the last Day of the calendar month preceding the month in question.

In order to determine the maximum credits in the accounts of tiers 1, 2 and 3 in the course of a calendar month, the Institutions may not include any amounts related to interest, returns from wire funds transfers or any other credit that such Institutions perform by the use or handling of the account which are made in the relevant period, if any.

### **Withdrawal of resources**

**Article 15.-** The Institutions must allow their customers to withdraw resources from their accounts in accordance with the following:

- I. Regarding accounts of tier 1, exclusively through debit cards.

Institutions should not allow the resources available in tier 1 accounts to be withdrawn through mobile phones or any other electronic device other than automatic teller machines (ATMs) and point of sale (POS) terminals.

- II. With regard to accounts of tiers 2, 3 and 4, through the means that the Institutions may determine, such as wire funds transfers, including Direct Debit and debit cards.
- III. Only in tier 4 accounts, withdrawals may be authorized by the issuance of checks.

### **Means for withdrawing and payment**

**Article 16.-** The means for withdrawing and payment shall be:

- I. Wire funds transfers;
- II. Debit cards, and
- III. Checks.

### **Wire funds transfers**

**Article 17.-** The Institutions may offer wire funds transfers through their website on the Internet, mobile phones or other means to be determined. In this case, the Institutions will be required to:

- I. Assign a CLABE to each account in tiers 2, 3 and 4, as well as allow the reception of wire funds transfers using this CLABE.

The provisions of the preceding paragraph shall apply without prejudice of Institutions allowing the receipt of such wire funds transfers using the sixteen-digit identification of debit cards or, the digits corresponding to the mobile telephone associated with the account in question.

In order to receive wire funds transfers in the accounts of tier 1, may be used the CLABE that, where appropriate is assigned by the Institutions or the sixteen-digit identification of debit cards.

- II. Process in the same time, the instructions received to credit into the accounts they hold for their customers and the transfer resources therefrom, regardless if the accounts where the resources come from or are intended to be transferred, are held by the Institution itself or another.
- III. Allow customers to incorporate information in order to identify the purpose of the payment on all wire funds transfers. Said information shall be sent to the receiving financial institution and made available to the beneficiaries of the transfer.

Institutions may not charge fees to customers for the incorporation and delivery of the aforementioned information in the previous paragraph, without prejudice of the fees they charge for sending electronic fund transfers.

- IV. Keep in the website a simple guide on the procedures, terms and conditions, so that customers use, at the Institution itself or through interbanking services, the wire funds transfers and Direct Debit services. Furthermore, the Institutions must provide a free hard copy of this guide to anyone who requests it in their branches.

Institutions may not charge fees between them, for sending, receiving, returning or performing wire funds transferences, except in Direct Debits, or differentiate the amount of fees charged to their customers for sending wire funds transfers, including Direct Debit, based on the Institution that carries the account of the beneficiary or the amount of the transaction.

### **Features of debit cards**

**Article 18.-** Debit cards may be presented in the ways determined by the Institutions, provided they clearly show the name of the issuing Institutions or any other expression, symbol, emblem or logo that identifies them.

Besides, debit cards related to accounts of tiers 2, 3 and 4, may be established in the form of microchips contained in mobile phones, provided that, when using the relevant application, it clearly displays the name of the issuing Institution or any other word, symbol, emblem or logo that identifies them.

Institutions should incorporate on the front of the cards the expiration date clearly visible. For other forms of debit cards that have specific duration, Institutions must inform their customers through some means that provides a record thereof.

### **Use of debit cards**

**Article 19.-** Debit cards may be used to access cash at branches of the issuing Institution, ATMs, through banking commission agents, affiliate business; to pay goods, services, credits and taxes, and to make other payments that the Institutions allow their customers.

In the contracts signed by Institutions with third parties for the process of card payments, they must enable the option to accept as payment for goods and services offered:

- I. Only debit cards;
- II. Only credit cards; or
- III. Debit and credit cards.

## **Additional features of tier 1 accounts and debit cards linked thereto**

**Article 20.-** For debit cards linked to tier 1 accounts, in addition to that stated in articles 18 and 19, the Institutions must observe the following:

### **I. Offer**

The Institutions may offer them:

- a) In their branches;
- b) Through their banking commission agents;
- c) Through electronic means they make available to their customers, and
- d) By any other person authorized by the Institutions themselves.

### **II. Information to the public at large**

The terms and conditions applicable to such debit cards must be made publicly available on the website of the issuer Institution, as well as provided in writing to the people who acquire them and must contain, at least the following:

- a) The ways in which they may be used and paid;
- b) The terms, amounts, frequency and validity of the fees that are charged, if any, as well as the mechanism by means of which any modifications to such commissions will be informed;
- c) The expiration date;
- d) The yield that the balance generates, if any;
- e) The safety measures for their use;
- f) Procedures for reporting any malfunction of the debit card and, if any, the loss or theft, as well as to seek clarification and to obtain reimbursement of resources due to cancellation or termination of their term;
- g) The mechanisms to check the balance and, if appropriate, movements, and
- h) The mechanisms and information to be provided or used to receive credits through electronic fund transfers.

Additionally, the Institutions must provide their customers with proof of purchase of the corresponding debit card, which will serve as proof of account opening.

### III. Use

Debit cards referred to in this article may only be used on the national territory, so they cannot be used to withdraw cash or make payments abroad, nor for wire funds transfers.

### IV. Return of resources

The Institutions issuing debit cards will be required to refund their customers the balance of the funds deposited in the tier 1 accounts when they are canceled, due to malfunction of the debit card or once the term is over.

The provision mentioned in the previous paragraph will apply whenever the customer concerned certifies the ownership of the respective resources through the presentation or delivery of the debit card or, otherwise, the information and documents stated in any of following subsections:

- a) Proof of account opening or acquisition of a debit card;
- b) The number of the debit card and the personal identification number associated therewith, in case both exist, or
- c) Any other way established in the terms and conditions issued by the Institutions for the operation of these debit cards.

## **Features of the checks**

**Article 21.-** The checks' formats that Institutions deliver to their account holders must comply with the specifications for the automated process developed by said Institutions through the Association of Mexican Banks, set out in the following standards:

- I. "MCH1.1 Specification on the format and content of the magnetized character band";
- II. "MCH2.1 Specifications on the printing magnetized characters";
- III. "MCH3.2 Specifications on security measures used in the creation of the check", and
- IV. "MCH4.2 Design of front and back of the check".

Institutions may allow their account holders to draw checks in checks' formats others than those provided by them only when those documents comply with the

specifications referred to in this article, which must be verified by the Institution granting such authorization.

### **Amount of nominative checks**

**Article 22.-** Checks in amounts equal to or greater than twenty thousand pesos must always be nominative.

## **Subpart C Other provisions relating to Deposits and loans**

### **Withdrawal of resources**

**Article 23.-** Institutions must allow their customers to withdraw their resources in accordance with the following:

- I. In the case of Deposits able to be withdrawn upon prior notice, the relevant contract must establish the term in advance the customer must give notice of the withdrawal and the maximum amount of these withdrawals.
- II. In the case of Deposits able to be withdrawn on preset days and term Deposits, resources can only be withdrawn on the Days agreed in the relevant contract.

When any of the agreed Days for withdrawal for the corresponding resources is not a Banking Business Day, such resources may be withdrawn on the immediately following Banking Business Day. In such case, the yields will continue to accrue at the interest rate originally agreed until the Day the withdrawal is made and shall include the income accrued for that Day.

Institutions may agree with their customers that in case the assumption of the previous paragraph takes place, the Deposit may also be withdrawn on the Banking Business Day immediately previous to the Day agreed for the withdrawal. In this case, the contracts must provide that the withdrawal can be made at the option of the depositor in any of the two options mentioned.

Institutions shall not allow withdrawals on Days other than those expressly mentioned in the contract or document concerned.

Notwithstanding the foregoing, in the case of Deposits able to be withdrawn on preset days, the Institutions may agree that these Deposits be withdrawn also upon prior notice. In such case, the relevant contract must establish the term with which notice must be given for withdrawals and the maximum amount thereof.

- III. In savings Deposits, the customer may withdraw any of his resources on demand.

## **Special personal accounts for savings**

**Article 24.-** In the special personal accounts for savings, established in the Income Tax Law, Institutions must observe the following:

- I. They may only have one account holder, except for holders married under community property system, in which case, at the time of opening the account, they should opt for considering both spouses in the proportion corresponding to the community property, or only one of them.
- II. No amounts exceeding the maximum provided in the Income Tax Law may be received.
- III. The amount of accrued interest shall apply on the average daily balances for the period in which they have been in force.
- IV. Interest accrued may be capitalized even though the account balance is in the maximum amount pursuant to applicable provisions.
- V. They will be able to be withdrawn on demand.

In the case of separate accounts, the amount will be considered jointly for the purposes of the maximum amount mentioned in section II hereof.

Institutions must set forth in the relevant contracts that account holders may not assign or pledge the rights arising from those accounts.

All documents and notices regarding credits and debits must expressly mention that they refer to a special personal account for savings pursuant to the provisions in the Income Tax Law.

## **Acceptance of loans and credits**

**Article 25.-** In the case of loans documented in promissory notes with interest payable at maturity, Institutions must observe the following:

- I. The interest rate and the amount agreed upon will remain fixed for the duration of the instrument, without need to review them, and interest will be paid upon maturity of the instrument;
- II. When issuing the promissory notes, the Institution must agree with its customers the corresponding term, which shall be established in Days and will be mandatory for both parties, and
- III. They will be redeemed at maturity of the agreed term.

Acceptance of other loans and credits must be documented through contracts.

## **Subpart D**

### **Banking bonds and Stock Exchange Certificates**

#### **Issue**

**Article 26.-** The Institutions may issue banking bonds and stock exchange certificates as follows:

- I. The term of the stock exchange certificates shall not be less than one year;
- II. The Institutions may prepay banking bonds and stock exchange certificates that they issue, provided that the indenture, prospectus, any advertising or publicity aimed at the public concerning the characteristics of the issue in question and in the certificates issued, clearly describe the terms, dates and conditions for prepayment, and
- III. In the indenture, in the corresponding instruments, as well as in the prospectus and the brochures, the Institutions must specify the rights and obligations of the issuer and of the bond holders, so that such documents must include, in addition to the provisions of the Credit Institutions Law and the Securities Market Law, depending on the relevant instrument, at least the following information:
  - a) Designation of the issue;
  - b) Term and maturity of the issue;
  - c) Place of payment of principal and interests;
  - d) Possible purchasers;
  - e) Deposit in administration;
  - f) Address of issuer, and
  - g) Jurisdiction.

## **Subpart E**

### **Subordinated debentures**

#### **Issue**

**Article 27.-** Institutions may issue subordinated debentures and place them directly without intermediation of securities firms.

Institutions that are willing to issue subordinated debentures must apply for authorization to the Bank of Mexico accompanied by drafts of the indenture, multiple instrument and informative prospectus. Such request shall specify the terms and conditions under which such securities are intended to be placed.

## **Indenture and informative prospectus**

**Article 28.-** In the Indenture and the relevant instruments of subordinated debentures, the Institutions must expressly state whether they are or not convertible and, where appropriate, the terms of such conversion.

Furthermore, the Institutions shall state that, in said conversion, bondholders will abide by the provisions of the Credit Institutions Law and, in the case of Development Banks, additionally to the provisions of their organic laws, regarding the form, proportions and other conditions applicable to the subscription, holding and distribution of equity securities.

Additionally, Institutions must expressly provide, both in the documents mentioned and in the informative prospectus, the following:

- I. The prohibitions and restrictions set forth in articles 29 and 30 of these Provisions;
- II. In the case of preferential subordinated debentures, the payment in the event of liquidation or bankruptcy of the issuer shall be made on a pro rata basis, regardless of dates of issuance, after covering all other debts of the Institution, but before distributing to holders of shares or equity contribution certificates, as appropriate, the company assets and, for non-preferred subordinate debentures, the payment will take place in the foregoing terms, but after paying preferred subordinated debentures;
- III. The issuing Institution may not acquire on its own, directly or indirectly, the subordinated debentures issued by it or by any other Institutions or holding companies or financial groups, or receive them as collateral by the Institutions, and
- IV. Where applicable, the information regarding the deferral of interest or principal, the cancellation of the payment of interest and/or conversion of debentures.

Besides Commercial Banks should expressly establish what is set forth in Articles 134 Bis and 134 Bis 1 of the Credit Institutions Law.

## **Prohibition to acquire**

**Article 29.-** In no event shall subordinated debentures issued by the Institutions be acquired by:

- I. Financial institutions of any kind when acting on their own account. Excepted from this prohibition are the following financial Institutions:
  - a) Investment companies in debt and common instruments;

- b) Securities firms who purchase debentures for subsequent placement in the investing public, and
- c) Insurance Companies and mutual insurance companies and bonding companies, when purchasing the bonds as investment of their technical reserves and for securities fluctuation.

In case of subordinated debentures issued by Commercial Banks, exceptions provided in paragraphs a), b) and c) above shall not apply in the case of investment companies where the issuer of the debt securities or any other entity of the group it belongs to has, directly or indirectly, the majority of fixed capital, as well as financial institutions of the same financial group of which the Commercial Bank issuer is part of.

In the case of subordinated debentures issued by Development Banks, exceptions in items a), b) and c) shall not apply in the case of investment companies in which the Institution that issues the debentures has directly or indirectly the majority of the fixed capital and of financial institutions in which capital the Development Bank issuing the subordinated debentures participates.

- II. Any domestic or foreign entity in which the issuer owns the instruments representing the share capital with voting rights representing fifty-one percent or more of the paid-up capital of that entity, has control of the general meetings of shareholders' or is able to appoint the majority of the members of the board or equivalent body. For purposes of this section, control will be understood as defined in the Securities Market Law.
- III. Pension or retirement funds, when the entity that administers them is the issuing Institution of the debentures, and, in the case of debentures issued by Commercial Banks, when the entity administering said funds is a member of the financial group to which the issuer belongs.
- IV. Trusts, powers of attorney or agency commissions, when the investment is made at the discretion of the trustee, in the case of trusts, powers of attorney or agency commissions where the fiduciary is the issuing Institution itself or any entity of the financial group to which the Institution belongs.

### **Limit of the acquisition**

**Article 30.-** Institutions should ensure that financial institutions and pension and retirement funds that may invest in subordinated debentures do not acquire more than ten percent of the amount of the bond issue in question. This limit shall apply at large to financial institutions members of the same financial group as well as subsidiaries of financial institutions, including the institutions themselves that are not part of a financial group.

## **Payment of interest and principal**

**Article 31.-** The Issuer may defer the payment of interest and principal as well as cancel the payment of the interests accrued by the subscribed debentures, in which case it must establish in the indenture, in the informative prospectus, in any other advertising regarding the characteristics of the issue in question and the instruments issued, the cases, terms and conditions under which such acts will take place.

In addition, issuer may prepay the debentures issued, provided that the indenture, prospectus, any advertising or publicity aimed at the public concerning the characteristics of the issue in question and the corresponding instruments, clearly describe the terms, dates and prepayment. In the debentures that are able to convert into stock or equity contribution certificates, as appropriate, the right of the Issuer to make prepayment will include the conversion of the relevant instruments.

The Institutions that comply with the provisions of the preceding paragraph may early convert the mandatory convertible debentures into shares or equity contribution certificates, as appropriate, as well as those of voluntary conversion in such shares or certificates of equity contribution, which payment is made through the conversion into securities representing the capital of the Institution in question.

The Institutions may prepay subordinated debentures provided that, in addition to complying with the provisions of the second paragraph of this article and once the payment is made, they maintain a capital adequacy ratio for credit, market and operational risks, above ten percent, calculated in terms of the provisions of Article 50 of the Credit Institutions Law. If the Institutions do not meet this requirement, they may submit to the Bank of Mexico a request for authorization.

### **Subpart F Bank acceptances**

#### **Features**

**Article 32. -** The Institutions may accept bills of exchange in local currency when:

- I. They have previously received the amount or have contracted a loan or a line of credit of the drawer to cover that amount;
- II. They have been drawn by individuals or legal entities other than the Institution that accepts them, either to the order of drawer or its designee;
- III. They are drawn for a term longer than one Banking Business Day, and
- IV. They are negotiable.

## **Subpart G**

### **Structured bank notes**

#### **Issue**

**Article 33.-** The Institutions that are authorized by the Bank of Mexico to act on their own behalf in terms of the "Rules for conducting derivative transactions" of the Central Bank itself, may agree with their customers that the yield of the transactions be structured with term Deposits, banking bonds and stock exchange certificates, is determined based on the variations observed in the prices of the underlying assets pursuant to such Rules, except for those listed in item a) of numeral 2.1. of the said Rules, for which they are authorized to enter into such derivative transactions.

#### **Types of structured bank notes**

**Article 34.-** Structured bank notes may be linked to:

- I. Term Deposits, banking bonds or stock exchange certificates.

In these transactions, the Institutions may not settle at maturity an amount less than the equivalent in Mexican currency of the principal amount invested by the customer.

By entering into these transactions, the Institutions must observe the following:

- a) The minimum amount of each transaction to be agreed upon with its customers or if any, to be renewed, shall be the equivalent in Mexican currency of ten thousand UDIS, and
- b) The contracts and statements provided to customers for such transactions must include the following legend: *"This investment instrument may not earn returns, or they may be less than those prevailing in the market, but in any case, upon maturity of the transaction, they may be settled in a nominal amount below the principal amount invested"*.

- II. Banking bonds or bank stock exchange certificates.

In these transactions, depending on the behavior of the financial asset prices, the Institutions could settle at maturity an amount less than the equivalent in Mexican currency of the principal amount invested by the customer.

By entering into these transactions, Institutions must observe the following:

- a) The minimum amount of each transaction to be agreed upon with their customers or if any, to be renewed, shall be the equivalent in local currency of three thousand UDIS;
- b) The transactions must be entered into in places other than the tellers of the branches;
- c) They may not advertise these transactions through mass media, and
- d) The contracts and statements provided to their customers for such transactions must include the following legend: *“This investment instrument may not earn returns, or they may be less than those prevailing in the market, but in any case, upon maturity of the transaction, they may be settled in a nominal amount below the principal amount invested”*.

### **General provisions**

**Article 35.-** Institutions must provide their customers, prior to the date of execution of the contract in which the transactions stated in sections I and II of the previous article are to be implemented, the documentation that describes the terms and conditions of the transaction and their risks, as well as the exercises that quantify the potential returns or losses under different scenarios, that could be generated by conducting such transactions.

Prior to the conclusion of said transactions, the Institutions must obtain from their customers and keep in the relevant file, a written evidence in which they state they know the risks and potential returns or losses that may arise for the execution of such transactions.

### **Subpart H General provisions applicable to liability transactions**

#### **Characteristics that may be freely determined**

**Article 36.-** When entering into liability transactions, Institutions must freely determine the following:

- I. The minimum amounts and balances at which they are willing to enter into the liability transaction in question;
- II. Interest rates and, if applicable, yields;
- III. Frequency of payment of interest, and
- IV. Term in which the transactions will be entered into.

## **Information on interest rates**

**Article 37.-** Institutions must publish the interest rates at which they are prepared to enter into liability transactions with the general public through its webpage in the Internet. Notwithstanding the above, Institutions may also make known said interest rates through other media.

Institutions must enter into transactions at the interest rates published under the terms of the preceding paragraph, without detriment to being able to agree with their customers higher rates than those published. Notwithstanding, Institutions shall not be required to enter into those transactions with financial entities at the rates published in accordance with this article.

## **Reference interest rates**

**Article 38.-** Institutions, they may only use the following reference rates for liability transactions entered into at variable interest rates:

- I. The TIIE;
- II. The primary placement yield rates of CETES and BONDES;
- III. Cost of taking deposits in Mexican pesos (CCP for its initials in Spanish) that the Bank of Mexico considers representative of all the Commercial Banks, and which it publishes in the Official Gazette of the Federation;
- IV. The Weighted Bank Funding Rate, and
- V. The Weighted Government Funding Rate.

The Bank of Mexico shall publish the latter two rates on its web site at [www.banxico.org.mx](http://www.banxico.org.mx).

When any of the interest rates established in Sub-sections I and II above is used, the term of the TIIE, CETES and BONDES to which the interest rate is referred to must be specified as applicable.

For transactions for which the Institutions include a reference rate, one or more replacement rates should be agreed to, as well as the order in which they are to be applicable, should the rate originally agreed to ceases to exist.

The rate agreed to for the transaction may not be changed once it is agreed, so it shall remain effective throughout the term of the instrument, except for those securities in which Commercial Banks reserve the right to adjust the interest rate from time to time, when so permitted by applicable provisions.

## **Calculating of yield and payment of interest**

**Article 39.-** Interest rates and yield shall be expressed in annual terms and shall be calculated by dividing the annual rate by three hundred and sixty and multiplying by the number of Days actually elapsed during the period in which yield accrues. All calculations shall be rounded up/down to hundredths.

When interest is payable for periods due, payments must be made at the end of each period, except for the first and last payments, which may be referred to shorter periods, in order to adjust each transaction in particular to the general cut-off and payment dates that each Institution has established.

Institutions may set several cut-off dates for payment of interest to thus distribute payment of interest on liability transactions over several Days of the month.

Institutions shall not be allowed to provide benefits, pay refunds, considerations, commissions or any other sums to its customers, directly or indirectly, over and above the payments and benefits agreed to when entering into the transaction in question.

## **Advance payment of letters of credit**

**Article 40.-** Institutions may pay in advance their obligations under irrevocable, documentary, commercial credits on terms and, if applicable, under acceptances on terms issued in relation to letters of credit, in accordance with the provisions of the Credit Institutions Law, provided that the documents submitted by beneficiaries meet the terms and conditions established in the letter of credit.

The advance payment referred to must be made at market prices and the beneficiary must agree in writing to the terms and conditions under which payment is to be made.

Said advance payment shall not alter the obligations of the applicant of the letter of credit with the issuing Institution.

## **Custody, administration and registry of documents**

**Article 41.-** Institutions may administer and retain on behalf their customers the evidence that support the term Deposits they receive, and the credit securities that cover their liabilities.

Institutions shall keep a record of the certificates and securities that they sign or receive.

## **Receipt of documents subject to collection**

**Article 42.-** The commercial documents delivered to the Institutions for crediting shall be received subject to collection or definitively, so the sum thereof shall be credited once payment has been made or when the transaction is entered into.

The credit made must observe the general provisions that the Bank of Mexico establishes regarding crediting of payments.

## **Section II** **Liability transactions in UDIS**

### **Liability transactions that can be denominated in UDIS**

**Article 43.-** Institutions may denominate in UDIS the following liability transactions in Mexican pesos:

- I. Deposits able to be withdrawn upon prior notice;
- II. Deposits able to be withdrawn on preset days;
- III. Term Deposits;
- IV. Loans documented in promissory notes with yield payable on maturity;
- V. Banking bonds;
- VI. Stock exchange certificates;
- VII. Subordinated debentures, and
- VIII. Other liability transactions arising from inter-bank operations.

The term of the transactions referred to in the preceding paragraph may be no more than three months. Agreements for Deposits able to be withdrawn upon prior notice must establish that withdrawals must be made at least three months apart.

In the legal documents in which Institutions enter into liability transactions in UDIS, they must observe the provisions of article 6 hereof, and establish a single interest rate, which may be expressed as a certain number of fixed percentage points applicable on the value of the transaction in UDIS, or as a certain number of fixed percentage points or a percentage, added to or subtracted from an actual interest rate known on the money market. Alternative rates may not be agreed.

Institutions may use the interest rates of the primary placement of UDIBONOS as reference for liability transactions in UDIS, in which case, Institutions must specify the term to which this rate is referred.

### **Characteristics that may be freely determined**

**Article 44.-** In the liability transactions entered into by Institutions, they may freely establish the following:

- I. The minimum amounts and balances at which they are prepared to enter

- into the liability transaction in question;
- II. Interest rates and, if applicable, yields;
  - III. Frequency of payment of interest, and
  - IV. Term at which the transactions will be entered into, taking into account the provisions established in the preceding article.

**Section III**  
**Liability transactions in Foreign Currencies**

**Subpart A**  
**General provisions for Deposits**

**Types of Deposits**

**Article 45.-** There are two types of Foreign Currency Deposits:

- I. Demand Deposits, with or without checkbooks, payable in the Mexican Republic, and
- II. Term Deposits payable abroad.

**Account holders**

**Article 46.-** Institutions may receive Deposits in Foreign Currency from the following persons:

- I. Demand Deposits, with or without checkbook, payable in the Mexican Republic:
  - a) From individuals who have their domicile in the strip going along twenty kilometers from the border of the United States of America, or in the states of Baja California and Baja California Sur;
  - b) From corporate entities that have their domicile in Mexican territory, and
  - c) From official representative offices of foreign governments, international organizations or similar institutions, foreign citizens who render their services to said offices, organizations and institutions, as well as from correspondent banks abroad, which must be accredited in Mexico with the competent department of state.

Institutions may only open these accounts for persons that submit documents to prove that they are in one of the above mentioned situations, and said documents must be kept as a register.

- II. Regarding term deposits payable abroad from corporate entities that have

their domicile in Mexican territory.

### **Deposit of resources**

**Article 47.-** Foreign Currency Deposit accounts may be credited as follows:

- I. Wire funds transfers of bank Deposits denominated and payable in Foreign Currency;
- II. Delivery of documents on demand denominated in Foreign Currency and payable abroad, and
- III. Delivery of Foreign Currency.

### **Withdrawal of resources**

**Article 48.-** Institutions shall allow funds to be withdrawn from Foreign Currency Deposit accounts through:

- I. Wire funds transfers denominated and payable in Foreign Currency, and
- II. Delivery of documents on demand denominated in Foreign Currency and payable abroad.

Additionally, regarding demand deposits with or without check books payable in the Mexican Republic, Institutions shall allow withdrawals through:

- a) Debit cards;
- b) Checks, if possible, and
- c) Delivery of Foreign Currency. Said delivery shall be subject to availability of bills and coins at the branch at which the beneficiary intends to make the withdrawal.

### **Additional characteristics**

**Article 49.-** Institutions must observe the following with regard to demand Deposits with checkbooks:

- I. Checks' formats must include the following legend on the front: "*This instrument shall be paid in (type of foreign currency and name of country in which it is legal tender, when necessary to identify the currency in question)*".
- II. Checks made out by individuals may only be paid at the offices in the towns referred to in paragraph a), section I, of article 46 hereof.
- III. Checks shall be paid as follows, at the choice of the beneficiary:

- a) By wire funds transfers to Deposit accounts, denominated and payable in Foreign Currency;
- b) Delivery of demand documents denominated in Foreign Currency and payable abroad, or
- c) Delivery of Foreign Currency, which shall be subject to availability of bills and coins at the branch at which the beneficiary intends to collect the check in question.

### **Interest rates and interests**

**Article 50.-** The Institutions may freely set their interest rates with their customers.

Interests that accrue Foreign Currency Deposits shall be subject to the following:

- I. Regarding demand Deposits with or without checkbook payable in the Mexican Republic, interests shall be calculated on the daily balances of the period in which they are effective, and may be capitalized, if established in the agreement.
- II. Regarding term Deposits payable abroad, once the rate has been set, it shall remain fixed throughout the entire term of the Deposit.

### **Documentation**

**Article 51.-** Foreign Currency Deposits must be documented as follows:

- I. With regard to demand Deposits with or without checkbook payable in the Mexican Republic, by agreements that establish the obligation of the depository to pay the funds by delivery of Foreign Currency. Additionally, it must be agreed that the depositor may not assign its rights under the legal instrument that documents the Deposit.
- II. With regard to term Deposits payable abroad, by non-negotiable certificates or records of term deposit, that specify that the right of the documents being documented may not be transferred. In both cases, the term shall be obligatory for both parties and must be no less than one Day. In the records of term deposit, it may be stipulated an automatic renewal of the transaction, should the Deposit is not withdrawn when it matures.

These documents must stipulate how funds may be withdrawn. Additionally, the provisions of article 6 hereof must be observed.

## **Minimum amounts and commissions**

**Article 52.-** Institutions may set the minimum amounts at which they may receive Foreign Currency Deposits, and the commissions they will charge for handling said accounts.

Foreign Currency Deposits must also observe the provisions of articles 10, 11, 39 and 42 hereof.

## **Subpart B Banking bonds and stock exchange certificates**

### **Issue**

**Article 53.-** Institutions may issue banking bonds and stock exchange certificates in Foreign Currency under the terms of article 26 above. Paragraph two, section II, of article 23, and articles 39 and 41, paragraph one, and 42 hereof apply to these instruments.

Banking bonds and stock exchange certificates shall be paid at the choice of the beneficiary, by:

- I. Wire funds transfers to be credited to bank deposit accounts denominated and payable in Foreign Currency, or
- II. Delivery of demand documents in Foreign Currency and payable abroad.

## **Subpart C Subordinated debentures**

### **Issue**

**Article 54.-** Institutions may issue subordinated debentures in Foreign Currency, with the prior authorization of the Bank of Mexico, under the terms of article 27 above. Paragraph two, section II, of article 23, and articles 37, 38, 39, 41, paragraph one, and 42 hereof shall apply to these instruments.

Subordinated debentures that may not be converted to shares or to securities that represent contributions to capital, shall be paid as follows, at the choice of the beneficiary:

- I. Wire funds transfers to be credited to bank deposit accounts denominated and payable in Foreign Currency, or
- II. Delivery of demand documents in Foreign Currency and payable abroad.

## **Subpart D Bank acceptances**

### **Characteristics**

**Article 55.-** Institutions may accept bills of exchange in Foreign Currency when:

- I. They have previously received the amount or have contracted a loan or a line of credit of the drawer to cover that amount;
- II. They have been drawn by individuals or legal entities other than the Institution that accepts them, either to the order of drawer or its designee;
- III. They are drawn for a term longer than one Banking Business Day, and
- IV. They are negotiable.

## **Subpart E Structured bank notes**

### **Issue**

**Article 56.-** The Institutions that are authorized by the Bank of Mexico to act on their own behalf in terms of the “Rules for conducting derivative transactions” of the Central Bank itself, may agree with their customers that the yield of the transactions be structured with term Deposits payable abroad and denominated in Foreign Currency, banking bonds and stock exchange certificates, is determined based on the variations observed in the prices of underlying assets pursuant to such Rules, except for those listed in item a) of numeral 2.1 of the said Rules, for which they are authorized to enter into such derivative transactions.

### **Types of structured bank notes**

**Article 57.-** Structured bank notes may be linked to:

- I. Term Deposits payable abroad in Foreign Currency, banking bonds or stock exchange certificates.

In these transactions, the Institutions may not settle at maturity an amount less than the equivalent of the principal amount invested by the customer.

By entering into these transactions, the Institutions must observe the following:

- a) The minimum amount of each transaction to be agreed upon with its customers or if any, to be renewed, shall be four thousand US Dollars, and
- b) The contracts and statements provided to customers for such

transactions must include the following legend: *“This investment instrument may not earn returns, or they may be less than those prevailing in the market, but in any case, upon maturity of the transaction, they may be settled in a nominal amount below the principal amount invested”*.

## II. Banking bonds or bank stock exchange certificates.

In these transactions, depending on the behavior of the financial asset prices, Institutions could settle at maturity an amount less than the principal amount invested by the customer.

By entering into these transactions, Institutions must observe the following:

- a) The minimum amount of each transaction to be agreed upon with their customers, or if any, to be renewed, shall be one hundred thousand US Dollars;
- b) The transactions must be entered into in places other than the tellers of the branches;
- c) They may not advertise these transactions through mass media, and
- d) The contracts and statements provided to their customers for such transactions must include the following legend: *“This investment instrument may not earn returns, or they may be less than those prevailing in the market, but in any case, upon maturity of the transactions, they may be settled in a nominal amount below the principal invested”*.

## General provisions

**Article 58.-** Institutions must provide their customers, prior to the date of execution of the contract in which the transactions stated in sections I and II of the previous article are to be implemented, the documentation that describes the terms and conditions of the transaction, and their risks, as well as the exercises that quantify the potential returns or losses under different scenarios, that could be generated by entering into such transactions.

Prior to the conclusion of said transactions, the Institutions must obtain from their customers and keep in the relevant file a written evidence in which they state they know the risks and potential returns or losses that may arise for the execution of such transactions.

## Subpart F Bank cards

## **Issue and use**

**Article 59.-** Institutions may issue bank cards in Foreign Currency, which may be used for withdrawals and payments. The funds allocated to these cards shall constitute a liability for the Institution.

It is unnecessary to sign a contract when applying for these cards and the provisions of article 19 of the “General Provisions Referred to in article 115 of the Credit Institutions Law”, of the Secretariat of Finance and Public Credit, must be observed.

These cards may be used in Mexico and abroad, provided that they are not used for sending wire funds transfers.

## **Characteristics**

**Article 60.-** Institutions may establish freely the physical features of bank cards in Foreign Currency, their commercial name and their maximum balance.

Notwithstanding, the expiry date of the card, its denomination or any other wording, symbol, emblem or logo of the issuing Institution must be shown on the front of the card. Cards must also bear the name of the person who use the funds assigned to the cards.

The aforementioned bank cards shall also be subject to the following provisions:

- I. The rates that Institutions use to calculate the interest on the funds held in the account in question shall be applied to the daily balances of the period in which the funds are effective.
- II. Institutions must allow credits to be made in cash by wire funds transfers and by checks.
- III. Cards may be used to withdraw cash at the branches of the issuing bank, from automatic teller machines, through bank commission agents, at affiliate establishments and to pay for goods, services, loans and tax, and to make other payments allowed by Institutions.
- IV. Institutions may offer cards:
  - a) At their branches;
  - b) Through their commission agents, and
  - c) Over the electronic media available to their customers.
- V. The terms and conditions that apply to these cards must be published on the web site of the issuing Institution and be provided in writing. Terms and conditions must include the following:

- a) Forms in which the cards may be used and credited;
- b) Items, amounts, frequency and validity of charging any commission, as well as the mechanism to notify amendments to commissions;
- c) Expiry date;
- d) Any yield that accrues on the balance;
- e) Security measures for their use;
- f) Procedures to report any failure of the card, or thefts or losses, if any, as well as to make enquiries, and to ask for refunds due to the cancellation or expiry of the card;
- g) The mechanisms to consult balances and transactions, and
- h) The mechanisms and information that shall be rendered or used to receive funds by wire funds transfers.

To make credits in Foreign Currency through wire funds transfer to bank cards, it may be used the CLABE allocated by Institutions or the sixteen-digit number of identification of the corresponding card.

### **Subpart G Other characteristics**

#### **Characteristics that may be freely determined**

**Article 61.-** Institutions must determine the following freely when entering into liability transactions:

- I. The minimum amounts and balances at which they may enter into the liability transaction in question;
- II. Interest rates and, if applicable, yields;
- III. Frequency of payment of interest, and
- IV. Term of transactions.

## **CHAPTER II CREDIT TRANSACTIONS**

#### **Applicable provisions**

**Article 62.-** When entering into credit transactions, Commercial Banks must observe the other general provisions issued by the Bank of Mexico, such as those

regarding credit cards, interest rates, restriction of charging interest in advance, total annual cost of financing, crediting payments and payments in advance.

### **Deadline to perform payments on credits**

**Article 63.-** If the deadline for paying loans given by the Commercial Banks does not fall on a Banking Business Day, Institutions must allow the borrower to make the payment on the next Banking Business Day, with no penalty.

## **CHAPTER III SERVICES**

### **Section I**

### **Direct debit in Deposit bank accounts**

#### **Hiring applications**

**Article 64.-** Institutions that offer the Direct Debit must process applications under the terms of articles 70 to 74 below, using the form attached hereto as Appendix 1 of these provisions, submitted by Account holders.

The Bank of Supplier must agree with Suppliers that they must compile the information referred to in Appendix 1 when applications are submitted.

#### **Cancellations request**

**Article 65.-** The Bank of Customer must deal with Direct Debit cancellations submitted using the form attached hereto as Appendix 2 of these provisions, irrespective of whether the Direct Debit was authorized by the Supplier instead of the Account holder or whether its cancellation was given through different means than the ones used to authorize it.

#### **Cancellation effects**

**Article 66.-** Cancellation shall come into effect within three Banking Business Days from the date on which the Bank of Customer receives the request. Once cancellation comes into effect, the Bank of Customer must abstain from making charges to the Account in relation with said Direct Debit.

#### **Dispute of charges**

**Article 67.-** The Bank of Customer must deal with complaints regarding Direct Debits not recognized charges, using the form attached hereto as Appendix 3 of these Provisions.

Complaints must be made within a ninety-Day period as from the last Day of the period covered by the statement on which the debit objected appears.

## **Admission of dispute of charges**

**Article 68.-** When the Account holder objects to a Direct Debit during the first sixty Days of the period referred to in the preceding article, the Bank of Customer must credit the sum disputed no later than the Banking Business Day after the complaint is received, without being able to require the Account holder to take any further action.

If the complaint is made between Day sixty-one and Day ninety of the period referred to, the Bank of Customer must decide on whether to accept or reject the claim within twenty Days and, if the complaint is accepted it must credit the sum disputed no later than the Banking Business Day after it makes its decision.

## **Dismissal of dispute of charges**

**Article 69.-** If a complaint regarding Direct Debit is rejected, as established in paragraph two of article 68 hereof, the Bank of Customer must provide the Account holder the original document of the decision given, signed by authorized personnel, containing the reasons supporting the rejection, plus a copy of the supporting documents or evidence, including those provided by the Supplier, at the branch at which the complaint was made or at the branch agreed to by the parties to that effect.

Additionally, the Bank of Customer must send the Account holder a copy of its decision by e-mail when complaints are submitted over the web site of the Bank of Customer, or if the customer so requests when it submits its complaint.

## **Disclosure of forms to file applications**

**Article 70.-** Institutions must provide their customers the forms for applying for or cancelling Direct Debits, and for making complaints about incorrect debits, in accordance with the Appendixes 1, 2 and 3 attached hereto, at their branches and through an accessible part of their web page, as well as through their electronic banking service.

To that regard, Institutions must textually transcribe these forms to which they may only add their corporate name and/or logo.

## **Receipt of applications**

**Article 71.-** Institutions that offer the Direct Debit service must receive the applications referred to in the preceding article at their branches, via their electronic banking service and over any other means, during the hours at which they are open to the public.

## **Acknowledgement of applications**

**Article 72.-** The Bank of Customer must acknowledge receipt of applications for Direct Debits requests for cancellation and of any complaints about incorrect

debits, using the same means as that over which applications and complaints are made, and keep evidence of all the above mentioned applications received.

### **Commissions**

**Article 73.-** The Bank of Customer may not charge any commission for dealing with precedent complaints or for cancelling the Direct Debit service.

### **Solution of controversies**

**Article 74.-** Institutions must comply with the “Direct Debit Manual of the Chamber of Electronic Payments” when settling complaints they might receive regarding charges for Direct Debits.

## **Section II**

### **Transfer of wages, pensions and other Employment Benefits**

#### **Transfer requests**

**Article 75.-** Customers, these being understood in singular or plural for this section as holders of an Originator Account and a Receiving Account, may ask to the Ordering Institution to transfer each Banking Business Day in which they receive Employment Benefits in their Originator Account, to transfer without cost the balance of said account to the Receiving Account.

When the funds referred to in the preceding paragraph are available in the Originator Account no later than 15:00:00 hours, the transfer to the Receiving Account must be made the same Banking Business Day so that they may be credited on the same date.

If the funds are available in the Originator Account after this time, they must be transferred as soon as possible to ensure that they are credited at the beginning of the next Banking Business Day.

Debits may be made to Originator Accounts before transfers are made:

- I. When agreed with customers to pay off loans, or
- II. When customers have given instructions to Direct Debits for recurring payments of goods, services and loans.

#### **Receipt of requests**

**Article 76.-** Ordering Institutions must receive applications submitted using the form attached hereto as Appendix 4 of these provisions, at all their branches during the time they are open to the public. The above mentioned Institutions must provide customers said form at their branches or make it available through an accessible part of their web page, as well as through their electronic banking service.

To that regard, Institutions must textually transcribe the form in Appendix 4 to which they may only add their corporate name and/or logo.

Ordering Institutions must process applications within ten Banking Business Days after receiving them and shall ask customers to submit with their application an official identification, as well as, at the customers' election, the contract, the statement of account or the debit card of the Receiving Account with the name of the account holder. Ordering Institutions may not ask for any other documents in order to process applications.

### **Requests to cancel transfers**

**Article 77.-** Customers may ask at any time, the Ordering Institution to cancel the transfer of funds from the Originator Account to the Receiving Account.

Cancellation of transfers of funds shall be effective from the Banking Business Day after which the Ordering Institution receives the request for cancelation.

### **Acknowledgement of requests**

**Article 78.-** Applications for the transfer of Employment Benefits and requests for cancellations must be submitted in writing at any branch of the Ordering Institution during the time they are open to the public.

Ordering Institutions must keep a record of all applications and requests received and provide customers a copy, stamped with the branch's seal, signed by an officer of the Institution and with the date it was received.

### **Disclosure of legends**

**Article 79.-** The Institutions that hold Originator Accounts must publish on a section of their web site that is accessible for the public, and with easily seen posters at their branches in the months of January and July of every year, the following legend:

*"You are entitled to transfer the funds from the account in which your salary, pension and other employment benefits are deposited to an account held at another bank, at no charge.*

*To do so, submit the form provided at our branches or that is available on our web site, and show the following information: i) your official identification, and ii) your agreement, a statement of account or your debit card bearing your name of the account to which you wish the funds to be transferred."*

Additionally, Ordering Institutions must individually or jointly publish, in at least two broad-circulation national newspapers, the first Banking Business Day of each week of January and July, the following legend:

*“As a customer of the bank, you are entitled to ask for the transfer of funds from the account in which you receive your wage, pension or other employment benefits to the account of any other bank of your choice, at no charge.*

*To do so, the form that you shall use will be available to you at the branches and in the web site, of your bank.”*

This notice must not be published more than once in the same newspaper during the abovementioned months.

### **Sending of resources**

**Article 80.-** In order to easily identify the origin of each transfer of funds, the Ordering Institution must send the Receiving Institution a brief note so that it may identify that the transfer is being made in accordance with article 18 of the Transparency and Financial Services Law, plus the information that the Employer has provided to make the deposit of the corresponding funds in the Originator Account.

Ordering Institutions are not required to attempt to send funds more than once on each of the dates of the month specified on applications, as established in article 76 hereof, when the Receiving Institution returns the payment instruction under any circumstance that is not imputable to it and when, as a consequence, the funds may not be credited to the Receiving Account.

The Institutions may not charge customers any amount for sending and receiving the abovementioned funds.

### **Direct sending of resources to the Receiving Account**

**Article 81.-** Institutions that offer the Payroll Service must allow Employers to directly deposit the Employment Benefits of their employees in the Originator Account or Receiving Account they nominate, using the same wire transfer method, without detriment to the provisions of the final paragraph of article 75 hereof.

The amount of the commissions that Institutions charge Employers for the above transaction should not be differentiated depending on the Institution that holds the account where the funds are deposited.

## **Section III**

### **Other services**

### **Trusts and commissions**

**Article 82.-** Institutions must observe the provisions established by the Bank of Mexico when entering into trusts and commission agency transactions.

## **Appraisals**

**Article 83.-** Commercial Banks must ensure that property is valued irrespective of the purpose for which it is valued.

Commercial Banks shall also be responsible for the accuracy of the valuations that their employees carry out.

## **Services through ATM networks**

**Article 84.-** Institutions that wish to offer services over ATM networks jointly with other Institutions, must do so through third parties. In such case, they must ask the Bank of Mexico for its authorization.

Those Institutions that wish to offer services at ATMs operated by corporate entities in which said Institutions are or wish to become shareholders, must submit the following information when requesting authorization:

- I. Corporate name of the Institutions that intend to participate in the corporate entity in question;
- II. The amount in cash or in kind that each Institution is prepared to invest, and its percentage shareholding;
- III. The terms and conditions under which the corporate entity shall pay or charge the Institutions that intend to be shareholders, for the services provided, plus a description of said services;
- IV. The clauses that stipulate the requirements and procedures for the Institutions to be able to have an interest in the corporate entity, and the rights reserved by the Institutions that had an interest when the corporate entity was incorporated;
- V. The clauses that stipulate the requirements and procedures that Institutions must observe if they no longer wish to have an interest in the corporate entity;
- VI. Corporate bylaws draft, and
- VII. Any other information that the Bank of Mexico asks for.

Institutions that wish to offer services over a network of ATMs operated by a third party other than the corporate entity referred to in this article, must specify in their application for authorization the nature of the third party that will operate the network of ATMs. Applications must include all the information referred to in sections I to VI above.

Applications must also include a draft of the agreement by which the association will be formalized, plus any other information that the Bank of Mexico asks for.

### **Authorization requests to render services through ATM networks operated by third parties**

**Article 85.-** The Bank of Mexico shall decide on applications for authorization to render services at ATMS operated by third parties, within thirty Banking Business Days as from when it notifies the Institution that the application and the required information are complete.

If the Bank of Mexico gives its authorization, the participating Institutions must observe the following:

- I. They must take into account the transactions that their customers enter into at ATMs networks, as if they were entered into at their own ATMs.
- II. They must ask the Bank of Mexico to give its authorization if they pretend to amend the terms and conditions under which they were given their original authorization.

### **Management and control of transactions regarding non-banking cards**

**Article 86.-** Institutions may render the service of management and control of transactions regarding non-bank cards issued by their customers to acquire goods and services.

Institutions must not offer these services when said cards are issued with a view to entering into the transactions referred to in articles 2 and 103 of the Credit Institutions Law, or any other transaction that is reserved for financial institutions, by law or by the provisions thereof.

Institutions that provide these services must ensure that no details of themselves are included on the front of these cards, such as their name or any other reference to them, or any symbol, emblem or logo that may lead to error or create confusion regarding the person who may be required to meet its obligations.

The cards must also state on the back that they are non-bank cards and that their balance may not be paid in cash.

## **CHAPTER IV TRANSACTIONS WITH SECURITIES AND GOVERNMENT SECURITIES**

### **Applicable provisions**

**Article 87.-** Transactions with Securities and Government Securities entered into by Institutions shall be subject among others, to these provisions and to the regulations of the Bank of Mexico regarding placement, repos, and loan of securities.

## **Multiple banking security**

**Article 88.-** The Institution that issues a multiple banking security must establish therein its obligation to replace the multiple security for documents that represent the relevant bank securities, at the request of the interested party or parties.

## **Purchase and sale transactions**

**Article 89.-** Institutions may buy and sell on their own account:

- I. Securities;
- II. Commercial debt documents not listed with the National Registry of Securities and commercial capital documents listed or not with the mentioned registry, as well as
- III. Government Securities.

Institutions may also buy and sell Government Securities on behalf of third parties.

## **Features of purchase and sale transactions**

**Article 90.-** Institutions may enter into securities and Government Securities transactions without the intermediation of securities firms.

Transactions must be denominated in the same currency or unit of account in which the Securities or Government Securities subject matter of the transaction are denominated.

## **Deposit and information of the institution for the deposit of securities**

**Article 91.-** Institutions must keep the Securities and the Government Securities on deposit with a securities depository institution at all times, except for UMS BONDS. Notwithstanding, under the terms of applicable provisions, the securities depository institution shall keep the Government Securities on centralized deposit with the Bank of Mexico, except for IPAB securities, PIC-FARAC and CBIC-FARAC.

To that regard, Institutions must send the securities depository institution in which the Securities or Government Securities are deposited, all the information concerning the transactions for purchasing and selling Securities and Government Securities they enter into with other financial institutions and with the Bank of Mexico, settled through the mentioned depository deposit institution, the same Banking Business Day on which they are entered into and under the terms specified by said securities depository institution.

## **Documentation of transactions with the public**

**Article 92.-** Transactions for the purchase and sale of Securities and Government Securities that Institutions enter into with the public must be documented under framework agreements duly signed before transactions are executed.

The Banking Business Day on which the transaction is entered into, Institutions must issue a document, both on hard copy and on electronic format, to record the transaction entered into. Said document must be available to the customer or upon request, sent to him.

The confirmation or document must state the name or corporate name of each of the parties, the price and the specific characteristics of the Securities or Government Securities, such as issuer, issue code, par value, type of Security or Government Security, and if any joint guarantor, acceptor or any third-party guarantor of the Securities or Government Securities.

## **Documents of transactions with brokers**

**Article 93.-** Institutions may carry out transactions for the purchase and sale of Securities and Government Securities, entered into among them and between Institutions and securities firms, investment companies, retirement fund investment companies, foreign financial institutions and institutional investors, under framework agreements duly signed before transactions are executed.

All these transactions must be confirmed the same Banking Business Day they are entered into, by any documentary or electronic medium that puts the transaction on record. When these transactions are settled through a securities depository institution, the record of the transaction kept by said institution shall replace the documentary record, provided that any such record is made on the same Banking Business Day as that on which the transaction is entered into.

## **Recording of purchase and sale transactions**

**Article 94.-** Institutions must raise records of transactions for the purchase and sale of Securities and Government Securities the same Banking Business Day on which they are entered into.

Institutions must also ensure that transactions entered into and the documents that cover them, strictly observe the provisions issued by the Bank of Mexico and all other applicable provisions.

## **Transfers in institutions for the deposit of securities**

**Article 95.-** All transactions that the Institutions enter into with Securities or Government Securities on their own account or on behalf of third parties, must be conducted by transfers made by the securities depository institution. Transfers may be made between third party positions.

These transfers shall be evidenced with the debits and credits shown on the statement of account that the securities depository institution shall send to the Institutions.

### **Settlement of the transactions**

**Article 96.-** For transactions with Securities and Government Securities that the Institutions enter into on their own account or on behalf of third parties, the Securities or Government Securities and the respective funds must be transferred on the same date, which may be no later than the fourth Banking Business Day after the transaction has been entered into.

The term of the transactions entered into as primary placement with the issuer of the Securities or Government Securities may be greater than four Banking Business Days.

If the settlement date is after the fourth Banking Business Day as from entering into the transaction, Institutions must comply with the general provisions that the Bank of Mexico issues regarding derivative transactions.

### **Holding and administration service**

**Article 97.-** Institutions may provide Mexican residents and foreigners service for the custody and administration of Securities and Government Securities under an agreement for the deposits of securities in administration.

The deposit of securities in administration agreement must specify the means by which the depositor may ask the Institution to transfer the Securities and Government Securities deposited.

### **Transfer**

**Article 98.-** The Institution that has signed the agreement referred to in the previous article must transfer the deposited Securities or Government Securities to the person that the depositor indicates.

### **Calculation and payment of interest**

**Article 99.-** When entering into transactions with Securities and Government Securities, calculations must be made on the basis of a year of three hundred and sixty Days and the number of Days actually elapsed.

Any interest that the depositor receives for the Securities or Government Securities on deposit must be paid to the persons who appear as the beneficiaries thereof on the records of the depository, at the close of business of the Banking Business Day before the expiry date of each interest period.

## **Prohibitions**

**Article 100.-** Institutions must refrain from entering into Securities and Government Securities purchase and sale transactions on their own account, when the purpose of said transactions is to alter artificially the numbers that show the volume of their transactions.

Additionally, Institutions may abstain from entering into purchase and sale transactions of Securities on their own account when:

- I. They have as purpose, whether direct or indirectly, to pay in advance the liabilities of the Institutions, such as entering into agreements under which the Institutions undertake to buy the Securities of other Institutions, or
- II. They imply the acquisition of Securities issued, accepted or guaranteed by the acquiring Institutions, as well as subordinated debentures issued by other Institutions or holding companies.

## **CHAPTER V TRANSACTIONS WITH FOREIGN CURRENCIES AND PRECIOUS METALS, AS WELL AS DERIVATIVES**

### **Purchase, sale and swap**

**Article 101.-** Institutions may enter into transactions for the purchase or sale of Foreign Currency against Mexican pesos or against other Foreign Currencies. Additionally, Commercial Banks may enter into transactions for the purchase, sale and swap of Precious Metals.

Foreign Currency purchase and sale transactions entered into by Institutions, as well as the Precious Metal purchase and sale transactions entered into by Commercial Banks, the payment date of which is more the fourth International Banking Business Day as from the date they are entered into, must comply with the general provisions that the Bank of Mexico issues with regard derivative transactions.

Institutions may not charge any commissions for the abovementioned transactions.

### **Information to the public**

**Article 102.-** Institutions must inform the public of the transactions they are willing to enter into under the terms of the preceding article.

Institutions must also inform the exchange rates or maximum sale or minimum purchase prices at which they are willing to enter into the transactions referred to, through posters or notice boards placed by the windows or counters of their branches that clearly show exchange rates and prices at which they enter into

transactions, although these posters and notice boards may be placed in other parts of their branches.

Transactions must be entered into at exchange rates or prices that are the same or better than those publicized, although these prices may be discounted for Precious Metal transactions in which Commercial Banks act as buyers, as a function of the quality of the Precious Metals subject of the transaction.

### **Documentation, vouchers and recording**

**Article 103.-** Transactions for the sale of Foreign Currency and Precious Metals that the Institutions enter into with their customers, including those entered into with Mexican and foreign financial institutions, may be formalized by framework agreements before any of these transactions is completed.

Institutions must issue a confirmation of the transaction on the Day on which it is entered into, on hard copy or even on electronic media. Institutions must give customers other than those referred to in the preceding paragraph a voucher upon conclusion of the transaction when it is entered into at the Institution, and when transactions are entered into in any other manner, the Institutions must retain the receipt or send it to the customer, when asked to do so.

Moreover, Institutions must account for transactions on the same Day they are entered into.

### **Derivatives**

**Article 104.-** The Institutions must observe the provisions that the Bank of Mexico issues on derivatives.

## **CHAPTER VI BRANCHES OVERSEAS**

### **Applicable provisions**

**Article 105.-** Branches Overseas must enter into their transactions as established herein, in other regulations of the Bank of Mexico, and in the laws and regulations of the countries in which they operate, and must not enter into the transactions that are prohibited by the Credit Institutions Law and the provisions that emanate therefrom.

### **Documentation**

**Article 106.-** Branches Overseas must observe the following with regard to transaction documents:

- I. Documents that formalize liability transactions must state that they are issued by a Branch Overseas.

- II. The documents that discount derivative acceptances of foreign trade transactions issued at their cost at a term of no more than three hundred and sixty Days for subsequent placement on foreign markets, must meet all legal and regulatory requirements that apply to said markets, and all good banking practices in said markets.

### **Prohibition to advertise**

**Article 107.-** The Institutions shall not place any type of advertising regarding securing of funds from residents in Mexico at their Branches Overseas.

## **CHAPTER VII INFORMATION**

### **Information to the Bank of Mexico**

**Article 108.-** Institutions shall provide the Directorate General of Financial System Issues, the Directorate General of Central Bank Operations, the Directorate General of Strategy, Risks and Payment Systems and the Directorate of Financial System Information, of Bank of Mexico, the information that each of said directorates asks for within its sphere of competence.

This information must be sent in the manner and the terms established by each particular directorate.

### **Accounting and sectorial information**

**Article 109.-** The Institutions must submit the minimum catalogue annex (ACM) to the Directorate of Financial System Information of Bank of Mexico, within the first eight Banking Business Days, using the form and following the instructions that said Directorate, together with the Directorate of Macroeconomic Analysis, provides for submitting end-of-month balances.

This information shall include:

- I. The accounting items that specify credit, liability and equity transactions, as well as its balances and order, and other items that refer to an additional attribute on these transactions, and
- II. Classification by institutional sector of the economy that correspond to the group of the aforementioned accounting items. For this purpose, sectorial refers to a user of bank services identified according to the category it belongs to as an institutional entity in economic activity, which is shown on the form.

### **Delivery of accounting and sectorial information**

**Article 110.-** Institutions must submit the information referred to in the preceding article in a consolidated form and separately for each of its Branches Overseas.

Institutions must send the information referred to in the preceding article in the manner and under the terms to be notified by the Directorate of Financial System Information.

Institutions must provide the Directorate of Financial System Information and the Directorate of Macroeconomic Analysis in the manner specified by said directorates, the name of the person or persons responsible for submitting the information who the Bank of Mexico may contact when necessary.

### **Reports on the exchange, metals and Government securities market**

**Article 111.-** Institutions must notify the Domestic Foreign Exchange Operations Subdivision of Bank of Mexico of its opening Foreign Currency position every day no later than 9:00 a.m. They must also notify the Subdivision of all purchases and sales of Foreign Currency against the Mexican currency for each effective date, in the manner and at the time that the Subdivision establishes.

Additionally, Institutions must also send the Central Bank Operations Information and Analysis Division of Bank of Mexico every Banking Business Day over the SIAC-BANXICO, details of the Government Securities and BREMS that they hold for third parties, classified by sector.

The above-mentioned provision is on the understanding that information on the securities that each Institutions holds for third parties must be kept in separate accounts with regard to residents in Mexico and abroad.

### **Reprocessing expenses**

**Article 112.-** The expenses in which Bank of Mexico incurs for reprocessing information and for making new calculations due to errors or insufficient access to information, imputable to Institutions, may be charged to them, without detriment to any other penalty that may be applied.

The entering into of liability transactions and transactions with Foreign Currency and Precious Metals authorizes the Bank of Mexico to debit the expenses mentioned in the preceding paragraph to the Sole Account that the corresponding Institution holds with it.

## **TITLE THREE OPERATIONS WITH THE BANK OF MEXICO**

### **CHAPTER I DEPOSITS AT THE BANK OF MEXICO**

#### **Section I In Mexican pesos (Sole Account)**

## **Applicable regime**

**Article 113.-** The Institutions must open and have a Sole Account with the Bank of Mexico that may be credited and debited on account of the transactions that Institutions entered into with the Bank of Mexico or the transactions that the latter authorizes. Credit balances shall not accrue interest.

If an Institution has a balance of less than zero on any Day, the Bank of Mexico shall debit to said account the Banking Business Day after the balance of the account drops to less than zero, a sum arrived at by multiplying the negative balance by twice the weighted bank funding rate established by the Bank of Mexico on the Day on which the overdraft occurs, divided by three hundred and sixty.

For Days that are not Banking Business Days, it shall be used the rate that the Bank of Mexico had established the previous Banking Business Day.

## **Contract**

**Article 114.-** Institutions must sign a contract with the Bank of Mexico to formalize the Sole Account transactions. To this end, Institutions must submit to the Operations Implementation Division certified and uncertified copies of the public documents that evidence the power of attorney of the signatory to exercise acts of ownership, plus an uncertified copy of his or her identification.

The documents referred to above must be submitted at least ten Banking Business Days before the date on which the contract comes into effect. In any case, the Institutions must sign the contract at least five Banking Business Days before this date.

## **Guaranteed overdrafts**

**Article 115.-** The Institutions may overdraw on their Sole Account up to the sum guaranteed with:

- I. Monetary regulation deposits;
- II. Term Deposits derived from Deposit Auctions, and
- III. Deposits in the Account in US Dollars referred to in article 120 hereof, given in guarantee to the Bank of Mexico for this purpose.

Additionally, Commercial Banks may overdraw up to the sum guaranteed with term deposits entered into in accordance with the procedure for establishing the TIIE.

Institutions must request Bank of México that the guarantees established with the deposits in the Account in US Dollars referred to in section III, subparagraph one, of this article, to segregate in the guarantees deposit account they hold with the

Bank of Mexico. These request must made over the SIAC-BANXICO between 08:30 to 16:30, or over any other electronic, computer or telecommunications medium authorized by the Bank of Mexico, or using the form attached hereto as Appendix 5, signed by a representative who has power of attorney for acts of ownership.

Institutions may withdraw deposits in US Dollars given in guarantee, when they are not guaranteeing any of their obligations with the Bank of Mexico. To this end, Institutions must request any such withdrawal over the SIAC-BANXICO between 8:30 to 16:30. US Dollars released shall be credited to their Account in US Dollars the Banking Business Day after the request is made.

The value of the guarantee shall be calculated at the exchange rate that the Bank of Mexico publishes in the Official Gazette of the Federation on the date it is established, less the discount factor that the Bank of Mexico publishes on its web site.

### **Non-guaranteed overdrafts**

**Article 116.-** Notwithstanding the provisions of the preceding article, the Bank of Mexico shall allow the Institutions to overdraw their Sole Account, without any guarantee at all, for debits arising from the Settlement of:

- I. The sums the Institutions must deposit according to the procedure for calculating the TIIE with regard to Commercial Banks, or due to Deposit Auctions, and
- II. Any other obligation they have with the Bank of Mexico.

### **Actions for incurring repeatedly in non-guaranteed overdrafts**

**Article 117.-** The Bank of Mexico may establish additional actions to those established herein for those Institutions that repeatedly overdraw form their Sole Account without providing any guarantees. The abovementioned provision is established because these overdrafts are not considered as good banking practices.

### **Operations with CLS Bank International**

**Article 118.-** Institutions that intend to enter into transactions with CLS Bank International shall authorize the Bank of Mexico so that it may take the following actions should there is any problem within SPEI that prevents them from sending transfers to or receiving payments from CLS Bank International:

- I. Debit their Sole Account for the sum of the payments to be made to CLS Bank International, and
- II. Credit their Sole Account with the sums that CLS Bank International transfers to them.

To do this, the Institutions must grant the Bank of Mexico a power of attorney under the terms of Appendix 6 hereof, signed by a person authorized to exercise acts of ownership, so they must submit to the Payment Systems Operation and Business Continuity Division a certified and uncertified copy of the public documents that evidence the powers of attorney of the signatory, plus an uncertified copy of his or her official identification.

The documents referred to above must be submitted at least ten Banking Business Days before the date on which the Institutions intend to commence transactions with CLS Bank International.

### **Account statements**

**Article 119.-** The Bank of Mexico must make the account statements for the Deposits referred to in this and the next section available to the Institutions on the SIAC-BANXICO.

Debits and credits on account statements shall be identified with a numerical or alphabetical code, printed on said account statements.

Should Institutions wish to object to any credit or debit on the account statements, they must notify to the Bank of Mexico in writing within ten Banking Business Days of the cut-off date. If the Institutions fail to make any objection within this time, the account statements, documents and transactions on the accounting records of the Bank of Mexico shall be considered as true and accurate.

If the Institutions object to any credit or debit within the time established above, all other credits and debits shall be considered as true and accurate, without detriment to the Bank of Mexico deciding accordingly on the objections made.

## **Section II** **In US Dollars (Account in US Dollars)**

### **Applicable regime**

**Article 120.-** Institutions must open one Account in US Dollars with the Bank of Mexico that may credited and debited as follows:

- I. Credits may be made by:
  - a) Receiving US Dollars, and
  - b) Transfers received from other Institutions.
- II. Debits may be made by:
  - a) Transfers of US Dollars ordered by the Institution, and

b) Transfers to other Institutions that the Institution orders.

This account may not be overdrawn.

### **Interest**

**Article 121.-** The Bank of Mexico shall pay monthly interest on the daily balance of the Institutions in their Account in US Dollars at the annual interest rate arrived at by subtracting one eighth of a percentage point from the average daily interest rate that the Bank of Mexico obtains for its investment in overnight US deposits on international markets during the month in question, or zero, whichever is greater.

The amount of interest that accrues daily shall be calculated by dividing the annual interest rate by three hundred and sixty and then multiplying by the balance in the account on the Day in question.

The Bank of Mexico shall credit interest accrued during the month on the first Banking Business Day of the following month.

Institutions may consult their balance in the Account in US Dollars over the SIAC-BANXICO.

## **CHAPTER II TRANSACTIONS IN THE ACCOUNTS AT THE BANK OF MEXICO**

### **Section I Transactions in Mexican pesos**

#### **Funds transfer**

**Article 122.-** Institutions may transfer funds from their Sole Account to other account holders of the Bank of Mexico or to the Bank of Mexico itself by transfer of funds orders.

Instructions to issue transfer of funds order regarding transaction entered into between the Institutions and between the Institutions and the Bank of Mexico must be given over the SIAC-BANXICO from 0:00:00 to 16:30:00. Their effective date may be the same Banking Business Day or the following Banking Business Day, as determined by the transferring Institution.

The Bank of Mexico may set a time other than that established in the preceding paragraph that it shall notify the Institutions over the electronic or telecommunications media of its choice.

#### **Schedule for inter-banking transactions**

**Article 123.-** The Bank of Mexico shall process orders to transfer funds between the Sole Accounts of the Institutions, whose effective date is the same Banking

Business Day, between 17:55:00 and 18:20:00, provided that the origin of any such transfers are credit transactions that the Institutions enter into between them.

The Bank of Mexico may set a time other than that established in the preceding paragraph that it shall notify the Institutions over the electronic or telecommunications media of its choice.

The Institutions must inform the Domestic Operations Division of the Bank of Mexico of the interest rates and the terms at which the aforementioned transactions are entered into in the manner and under the terms that said Division establishes.

### **Transactions of the Bank of Mexico with the Institutions**

**Article 124.-** The transactions that the Bank of Mexico enters into with the Institutions shall be conducted through their Sole Accounts, irrespective of whether it is acting on its own behalf or as trustee, unless the Banco de Mexico establishes otherwise in its general provisions.

#### **Request**

**Article 125.-** The transactions that the Institutions are willing to conduct in their Sole Account or Account in US Dollars must be requested over the SIAC-BANXICO at the times established, or using the media established by the Bank of Mexico.

## **Section II** **Transactions in US Dollars**

### **Receipt of US Dollars**

**Article 126.-** Institutions may ask the Bank of Mexico to receive US Dollars. To do so, they must arrange the transaction over the telephone with the Domestic Foreign Exchange Operations Subdivision of the Bank of Mexico between 09:00:00 to 13:00:00. Receipt of US Dollars may be arranged with an effective date of one or two Banking Business Days after the transaction is completed.

Institutions must deposit the US Dollars agreed to with the branch nominated by the Bank of Mexico, on the effective date.

The Bank of Mexico will credit the sum to the Account in US Dollars of the Institution in question on the effective date and once it has proof that US Dollars have been received.

The Institutions must confirm requests for receiving US Dollars no later than 17:00:00 on the Day the transaction is completed, by sending a SWIFT message, or over any other electronic, computer or telecommunications medium that the Bank of Mexico authorizes, or by letter sent to the Office of Library Services, with signatures first having been registered with the Bank of Mexico.

## **Default of receipts US Dollars**

**Article 127.-** When there is any delay, error or omission of the Institution or its financial agents that has as consequence that the US Dollars are not delivered on time to the accounts of the correspondent banking of Bank of Mexico, the latter shall not credit the Account in US Dollars it holds for the Institution. When the Institution rectifies its error, Bank of Mexico shall credit the correct amount of the transaction to the Account in US Dollars.

If the error persists after three International Banking Business Days, the Bank of Mexico may cancel or renegotiate the transaction.

The Bank of Mexico debit from the Account in US Dollars any cost it incurs for any such delay, error or omission.

## **Transfers**

**Article 128.-** Institutions may request Bank of Mexico to transfer funds from their Account in US Dollars to the Accounts in US Dollars that other Institutions have in Bank of Mexico, with an effective date on the same Banking Business Day. The request shall be sent over SIAC-BANXICO between 08:00:00 to 16:30:00.

If the Account in US Dollars of the Institution requesting the transfer does not have sufficient funds on the effective date, the Bank of Mexico will cancel the transaction.

## **Transfers**

**Article 129.-** Institutions may send a request to the Bank of Mexico over the SIAC- BANXICO one or two Banking Business Days before the effective date of the transaction in question, to send US Dollars to their correspondent banking abroad and debit the sum from their Account in US Dollars. Transfers required with one Banking Business Days' notice may be requested between 08:00:00 to 13:00:00. Transfers required with two Banking Business Days' notice may be requested between 08:30:00 to 14:30:00.

Bank of Mexico shall segregate the funds transferred no later than 15:00:00 on the Banking Business Day before the effective date of the transaction. If there is an insufficient balance in the Account in US Dollars on said Banking Business Day to cover the transaction, the Bank of Mexico will cancel the transaction.

Bank of Mexico must be advised of the details of accounts for transfers of US Dollars at least five Banking Business Days before the date on which the transfer is to be requested.

## **Commissions**

**Article 130.-** Bank of Mexico will charge the Institutions a commission of 0.05 to the thousand on each amount of US Dollars transferred, on the understanding that commission may be no less than ten and no more than fifty US Dollars. Commission shall be debited to the Sole Account of the Institution on the effective date of the transaction, at the exchange rate that the Bank of Mexico publishes in the Official Gazette of the Federation the Day before the effective date.

### **CHAPTER III REPOS TO PROVIDE LIQUIDITY TO PAYMENT SYSTEMS**

#### **Section I Repos between the Bank of Mexico and the Institutions**

#### **Characteristics of repo**

**Article 131.-** The Institutions may enter into repos with the Bank of Mexico in order to obtain liquidity, as follows:

- I. Buyer: Bank of Mexico;
- II. Seller: the Institution;
- III. Term: the time elapsed between the repo is entered into and the close of business, for the Institutions, of the RSP Module on the same Day, with no possibility of extension. The opening and closing times of the module may be found in the RSP Manual;
- IV. Securities repurchased: a) BONDES; b) Securities of the IPAB; c) BREMS; d) CETES, excluding Special CETES, and e) Segregated Coupons that are the property of the Institution in question;
- V. Price: the sum of money that the Bank of Mexico pays the seller under the repo, equivalent to the value of the securities repurchased calculated using the procedure referred to in Annex 7 hereto, less the discount that the Bank of Mexico establishes, depending on the type of security, using the formula and the parameters established in the RSP Manual and the RSP Module, respectively, and
- VI. Premium: That established by Bank of Mexico through the RSP Module.

#### **Agreement to enter into repos**

**Article 132.-** To be able to enter into the repos referred to herein, Institutions interested must sign an agreement with the Bank of Mexico. To this end, they must submit to the Operations Implementation Division a certified and uncertified copy of the public document that evidences the powers of attorney for acts of ownership of the person who will sign the agreement, plus an uncertified copy of

his identification. Additionally, they must submit to the Payment Systems Operation and Business Continuity Division, a power of attorney in the name of the Bank of Mexico, under the terms of Annex 8, signed by the person who has the aforementioned powers.

The documents referred to above must be submitted at least ten Banking Business Days before the date on which the repos will be entered into. In any case, the agreement must be signed at least five Banking Business Days before this date.

Institutions must send a copy of the above power of attorney to the relevant securities depository institution.

### **Requests to enter into repos**

**Article 133.-** Institutions that wish to enter into repos must send their request to Bank of Mexico over the RSP Module, as established in the RSP Manual, specifying the number and characteristics of securities to be repurchased. These transactions shall not be subject to the prohibition of entering into repos as sellers on securities with a fixed yield rate and a term of more than one year, and on securities at a rate that may be reviewed periodically, with a term longer than one calendar year, between the dates on which the rate is reviewed, as established in the repo provisions of the Bank of Mexico.

Bank of Mexico will send instructions over the RSP Module to a securities depository institution, so that it may transfer the securities needed to fulfill the repos requested, under the terms of its internal regulations. Sellers must inform Bank of Mexico, over the module, if the funds of the repo are to be credited to their Sole Account held with Bank of Mexico, or in the account they hold with the securities depository institution.

### **Maximum amount of repos**

**Article 134.-** The amount of repos that each Institution may enter into with the Bank of Mexico may not exceed the sum arrived at by multiplying the sum calculated as per Annex 9 hereof, by 4.5, and subtracting the sum of its monetary regulation deposits.

If the difference is less than or equal to zero, the Institution may not enter into repos over the RSP Module.

The above limit may only be exceeded by:

- I. Any adjustment made to the price and the premium with regard to automatic renewals of transactions, in accordance with article 136 hereof;
- II. Repos that securities firms have abandoned in favor of the Institution that has given them the authorization established in article 141 hereof, and

- III. Other transactions that the Bank of Mexico orders over the RSP Module, in accordance with applicable provisions, on behalf of the respective Institution.

### **Settlement of repos**

**Article 135.-** The Institutions may wholly or partly settle repos at any time of the Day during the normal working hours of the RSP Module, in accordance with the RSP Manual. To do so, they must inform Bank of Mexico if the funds needed to pay will be deposited in the account they hold with the securities depository institution or in their Sole Account, and specify the number and characteristics of the securities to be repurchased.

The repos entered into with these securities shall be settled in the order in which they were entered into, until the number of securities requested has been paid up. Bank of Mexico will send to the securities depository institution, instructions to transfer securities and, if any, cash.

If there are transactions missing to be settled when the RSP Module closes, or if they have only been partially settled, Bank of Mexico will consider them as abandoned or it will renew them automatically for the amount remaining, as next article establishes.

The interests that the securities accrue during the effective term of the transactions automatically renewed, will be credited by Bank of Mexico to the Sole Account of the seller on the Day the issuer pays them.

### **Abandonment and renewal of repos**

**Article 136.-** If the seller does not pay the price and the premium at due date, the repo shall be considered as abandoned or the obligations shall be considered as automatically novated, as follows:

- I. The transactions in which the securities subject of the repo expire the next Banking Business Day shall be considered as abandoned. In such case, said securities and their accessory charges will be considered as property of the Bank of Mexico.
- II. The transactions other than those referred to in the preceding paragraph shall be renewed automatically. Automatic renewal shall begin at the close of business of the RSP Module for the Institutions on the same Day they were entered into, and shall conclude at the end of business of the RSP Module the following Banking Business Day.

The price of the new transactions shall be calculated according to the value of the securities subject of the repo at the close of the RSP Module on the Banking Business Day on which the renewal begins and shall have the same value of said securities upon the opening of the module the next Banking Business Day. The

premium shall be that which the Bank of Mexico determines over the RSP Module.

The repo securities and the cash of the price and the premium transferred in repos subject to renewal, shall be taken into account for new transactions, and the seller may only have to pay Bank of Mexico, or vice versa, the sums they are due to receive according to the price and premium of the new repos.

With regard to automatic renewals, the respective transactions shall be calculated within the limit that applies to the Institution, determined in accordance with article 134 hereof, as from when the RSP Module opens on the Banking Business Day after that on which renewal commences.

Repeated renewal of repos shall not be considered as a good banking practice, so when the Bank of Mexico realizes that an Institution has automatically renewed repos during the consecutive number of Days that the Bank of Mexico notifies over the RSP Module, it will not renew the repos and will declare them as abandoned when they expire.

#### **Determination of charges for automatic renewals**

**Article 137.-** In case of automatically renewed repos, the Bank of Mexico shall charge the seller the sum that it notifies over the RSP Module, for each issue of repurchased securities.

If applicable, it shall also charge the seller the sum arrived at by multiplying the base amount calculated in the manner explained in the paragraphs below, by the result of multiplying the rate for negative balances in the Sole Account, in accordance with article 113 hereof, by the term of the repo and dividing it by three hundred and sixty.

The base amount shall be calculated by subtracting the positive balance of the Sole Account at the close from the amount of the renewed repo. If the result is negative, the charge shall not apply.

If the balance of the Sole Account is negative at the close, the base amount shall be that of the renewed repos.

#### **Credits and debits**

**Article 138.-** The Bank of Mexico shall credit or debit the sums arrived at as per section II of article 136 hereof, and those arrived at as per the preceding paragraph, to or from the Sole Account that the seller holds. Said debits or credits will be made at the opening of SIAC-BANXICO the following Banking Business Day after the expiration of the renewed repos.

The Bank of Mexico will allow the Institutions to overdraw their Sole Accounts, with the abovementioned charges, regardless they are not guaranteed.

## Section II

### **Repos between Institutions and securities firms with resources coming from repos between the Bank of Mexico and the Institutions**

#### **Additional limits for Institutions in executing repos with securities firms**

**Article 139.-** Institutions shall be subject to a limit in addition to those established in article 134 above when entering into repos with securities firms, which comprises not exceeding the figure arrived at by multiplying the sum calculated as per Annex 9 hereof, by 1.4.

#### **Characteristics of the repos**

**Article 140.-** Institutions shall act as buyers and securities firms shall act as sellers in repos. These transactions must be formalized by framework agreements that the parties agree. In all cases, Institutions must establish identical characteristics as those of the repos entered into between the Institutions as sellers and the Bank of Mexico as buyer, under the terms of Section of this Chapter, and both repos must be recorded successively in the RSP Module.

Institutions shall ensure that the transactions they enter into with securities firms and the agreements they sign strictly observe the provisions of this article and other applicable provisions.

#### **Limits applicable to securities firms**

**Article 141.-** The Institutions that wish to enter into repos with securities firms must notify the Bank of Mexico over the RSP Module, the limit up to which they authorize each security firm to enter into repos.

The total of the limits referred to in the preceding paragraph that the Institutions grant the same securities firm, and the total amount of the repos referred to in paragraph two of the article below, entered into by one securities firm, may not exceed five times the global capital of said securities firm.

Institutions may reduce or cancel the limit authorized for securities firms at any time within the working hours of the RSP Module. Without detriment to this, Institutions shall be obliged to perform the repos entered into by the securities firms that they have authorized to act on their behalf during the effective term of the authorization.

#### **Request to perform repos on behalf of Institutions**

**Article 142.-** Based on the limits referred to in the preceding article, Institutions may ask the Bank of Mexico, through securities firms authorized to act on their behalf, to enter into repos within the times and under the terms established in the RSP Manual. These transactions shall not be subject to the prohibition of entering into repos as sellers on securities with a fixed yield rate and a term of more than one year, and on securities at a rate that may be reviewed periodically, with a

term longer than one calendar year, between the dates on which the rate is reviewed, as established in the repos provisions of the Bank of Mexico.

If requests are accepted, two repos will be recorded in the RSP Module, the first between the Bank of Mexico as borrower and the Institution as seller, and the second between the Banks as buyer and the securities firm as seller.

The buying Institution, through the selling securities firm that acts on its behalf, must inform the Bank of Mexico the account in which the latter must credit the price of the repo that the Institution enters into. The credit should be made to the account that the Bank of Mexico holds for the securities firm or to the account that it holds in the securities depository institution.

To this end, the Bank of Mexico shall make the following records and send instructions to the securities depository institution to transfer the securities and cash.

### **Settlement of repos**

**Article 143.-** The Institutions, through the securities firm that represent them, may ask the Bank of Mexico at any time during the time the RSP Module is open for securities firms, as established in the RSP Manual, to settle the repos.

The Institutions must inform to the Bank of Mexico if the funds needed for settlement will be deposited in the account that the securities firms hold with the securities depository institution, or in the account that the securities firms have with the Bank of Mexico, and specify the number and nature of if the securities subject of the repo and the name of the Institution performing the transaction as buyer.

Repos conducted with said securities will be settled wholly or partly in the order in which they were entered into, until the number of securities requested is covered.

The Bank of Mexico will send the securities depository institution instructions for transferring securities and cash, if any.

### **Abandonment of repos**

**Article 144.-** When securities firms have repos with the Institutions that have not been paid at the close of the RSP Module for securities firms, they shall be considered as abandoned in favor of these Institutions.

In this case, the Institutions may settle the repos entered into with the Bank of Mexico on the securities subject of the repo, before the Institutions closing time at the RSP Module, otherwise repos shall be considered as abandoned or automatically renewed, as applicable, under the terms of article 136 hereof.

**Section III**  
**Procedure to follow in case of insufficient funds from the Institutions to settle the amount of Government Securities**

**Settlement of the amount of Government Securities**

**Article 145.-** If an Institution does not have sufficient funds to settle the amount of Government Securities that:

- I. Have been allocated to it on the primary market under the terms of the “Rules for Auctions for Placement of Government Securities and of Securities of the IPAB” or the “Rules for the Syndicated Auctions of Government Securities”;
- II. It is obliged to receive derived from the transactions entered into under the terms of the “Rules for Auctions to Purchase Monetary Regulation Bonds and Government Securities Conducted by the Bank of Mexico”, or
- III. Have been sold to it for exercising of the right of purchase when they operate as market makers on said securities, under the terms of the provisions of the Secretariat of Finance and Public Credit.

The Bank of Mexico shall proceed as follows:

- I. It will send instructions over the SAGAPL to enter into a repo on behalf of the Institution for the missing amount;
- II. It will debit from the Sole Account of the Institution the sum that comprises the difference between the amount at which the securities subject of the repo were allocated and the price of the repo. In this case, Institutions may incur in overdrafts without guarantees, in accordance with article 116 hereof;
- III. It may retain as buyer the Government Securities allocated, and
- IV. It may use the amount debited to the Sole Account and the funds of the price of the repo to pay the transaction in question.

In order that the Institution may enter into the repo referred to in section I above, it must send a power of attorney in the name of the Bank of Mexico, to the Central Bank Back-office Division, using the form attached hereto as Annex 10, signed by the person who has the power to exercise acts of ownership, together with a certified and simple copy of the public document that evidences said power, plus a simple copy of his or her identification. These documents must be submitted within ten Banking Business Days before the date on which the repos are to be entered into. The Institution in question may send a copy of the power of attorney to the securities depository institution.

**CHAPTER IV**  
**DETERMINING THE INTER-BANKING EQUILIBRIUM INTEREST RATE IN**  
**MEXICAN PESOS**

**Section I**  
**Procedure for determining the TIE**

**Request to participate**

**Article 146.-** Commercial Banks interested in participating in the determination of the TIE must request it in writing to the Domestic Operations Division of the Bank of Mexico indicating the names of the persons authorized to receive information of the respective procedure. This communication must provide the handwriting verification issued by Bank of Mexico.

Submitting such communication shall imply acceptance of the Commercial Banks concerned to submit to each and every provision of this Chapter.

Bank of Mexico will publish in the Official Gazette of the Federation the name of the participating Commercial Banks.

**Information for submission of quotations**

**Article 147.-** For the purposes of submitting quotations, Bank of Mexico shall inform Commercial Banks the Business Banking Days when it will receive quotations of interest rates, the terms and amounts in which they may be presented, and the differential referred to in Annex 11 hereof. Additionally, Bank of Mexico may set minimum and maximum limits to the above amounts within which quotations may be submitted in multiples of a base amount set for such purpose by Bank of Mexico, which will be called the base amount.

The Bank of Mexico will previously hear the opinions of the Commercial Banks in order to determine the terms, amounts and differential referred to above.

In the event that the expiration date of the period for the submission of quotations does not correspond to a Banking Business Day, the period will be adjusted to the closest previous or subsequent Business Banking Day, giving preference to the previous one if equal.

**Procedure for submission of quotations**

**Article 148.-** The quotations shall be submitted to the Domestic Operations Division of Bank of Mexico no later than at 12:00:00 hours on the appropriate Banking Business Day. To this end, Bank of Mexico will request at least six Commercial Banks chosen at random, to submit within the established schedule, prices for each of the terms called for the Banking Business Day in question.

The Commercial Banks called may only submit a quotation for each combination of term and amount that Bank of Mexico may have requested under the preceding

paragraph. Interest rates quoted should be expressed in percentages rounded to four decimal places.

### **Means for submission of quotations**

**Article 149.-** Quotations may be submitted through the SIAC-BANXICO or through other electronic, computer or telecommunication means specially authorized by the Bank of Mexico for such purpose. The access, identification and, where appropriate, operating codes established for the use of electronic, computing or telecomm means, shall replace the handwritten signature by an electronic one; therefore, the documentary or technical evidence where they appear shall have the same effects as the law provides to documents executed by the parties and, therefore, will have equal probative value.

In case of failure of the SIAC-BANXICO, quotations may be made by telephone or through electronic or computer means, and must be confirmed in writing no later than 17:00:00 hours on the same Banking Business Day using the form attached as Annex 12 of these Provisions in a sealed envelope accompanied by a cover letter. Both documents must be duly signed by the same representatives authorized by the Commercial Bank and the letter must show the handwriting verification issued by the Bank of Mexico, for which reason the signatures must be registered prior to the submission of that letter.

The quotations submitted shall be considered binding and irrevocable, and shall have the broadest effect in law as appropriate.

The Bank of Mexico will dismiss the quotations which do not conform to the provisions of this Chapter, are not clearly legible, have any amendments, corrections or are otherwise incorrect.

### **Determination and dissemination of TIIE**

**Article 150.-** The TIIE for each of the terms and amounts that the Bank of Mexico has informed the Commercial Banks in terms of what is stated in the first paragraph of Article 147 of these Provisions will be the result of the following procedure:

- I. In the event that no later than 12:00:00 hours of the Banking Business Day in question, the Bank of Mexico:
  - a) Gets quotations from at least six Commercial Banks, it shall calculate the corresponding TIIE using the procedure described in Annex 11 hereof.
  - b) Has not received at least six quotations, it will request again the Commercial Banks chosen to submit their quotations no later than 12:15:00 hours.

In case that, based on the new request, at least six quotations are not received, the Bank of Mexico will request the Commercial Banks who had submitted quotations, to quote again the rates and will request one or more Commercial Banks to submit quotations no later than 12:30:00 hours. In the latter case, the Bank of Mexico will make requests for each of the terms that are required in sequence and in the order corresponding to the respective Commercial Banks considering their name in alphabetical order, starting from the Commercial Bank immediately following that to which it has requested the last submittal of quotations as provided in this paragraph.

The quotations referred to in this subsection shall be submitted through the SIAC-BANXICO or any other electronic, computer or telecommunications mean that the Bank of Mexico authorizes for such purpose. Submission of quotations is mandatory when they are necessary to determine the interest rate and term, regardless of whether it relates to Commercial Banks that after having submitted quotations should formulate them again or if they have received request from the Bank of Mexico to that effect.

- II. Should Bank of Mexico cannot determine the TIIE or considers there has been collusion between Commercial Banks, it will determine the rate of interest considering the conditions prevailing in the money market.
- III. The overall results will be available for Commercial Banks within sixty minutes after the deadline for submission of quotations of the same Banking Business Day in which rates are determined through the SIAC-BANXICO or any other electronic, computer or telecommunications means that the Bank of Mexico authorizes for such purpose.

Bank of Mexico will publish in the Official Gazette of the Federation the interest rates and the name of the Commercial Banks involved in its determination, on the Banking Business Day immediately following that in which they are determined.

## **Section II**

### **Financing or deposits related to the determination of the TIIE**

#### **Determining the funding or deposits**

**Article 151.-** Upon request of Bank of Mexico, the Commercial Banks that have quoted in terms of what is stated in Article 150 of these Provisions, should receive funding from Bank of Mexico itself or, open deposits, for the terms and up to the amount in the national currency for which they submitted the corresponding quotations.

Bank of Mexico shall notify the Commercial Banks within the thirty minutes following the deadline for submitting quotations the amount of funding that it will give, if any, or the deposit amount it will receive from each of them, as well as the

differential referred to in paragraph 4 of Annex 11 of these Provisions. Such notification will be made through the SIAC-BANXICO or any other electronic, computer or telecommunication means authorized by Bank of Mexico to that effect.

### **Formalizing the financing**

**Article 152.-** On the Banking Business Day immediately following the submission of quotations, the Commercial Bank that must receive credit from Bank of Mexico, should enter into a credit and/or repo transaction, using SAGAPL for such purpose, conforming to the terms and conditions set forth in the SAGAPL manual.

### **Schedule and priority**

**Article 153.-** The Bank of Mexico will try to enter into the credit and/or repo transactions up to the total amount of the credits allocated in the schedules established in the SAGAPL manual, which will be available through such system. To this end, the abovementioned credit will be first formalized through credit transactions, and then if necessary, through repos.

### **Characteristics of credit transactions**

**Article 154.-** Credit transactions entered into by Commercial Banks in terms of this Chapter shall have the following characteristics:

- I. Lender: Bank of Mexico;
- II. Borrower: The Commercial Bank that has received the notification referred to in the second paragraph of Article 151 of these Provisions;
- III. Term: The corresponding to the TIE for which the Commercial Bank has submitted the respective quotation;
- IV. Amount: That related to the part of the funding allocated by the Bank of Mexico guaranteed with any of the types of deposits foreseen under section VI hereof;
- V. Interest Rate: The interest rate that the Commercial Bank has quoted, less the differential that the Bank of Mexico has indicated thereto, and
- VI. Guarantee: a) the monetary regulation deposits that the Borrower keeps with the Bank of Mexico; b) deposits made under the procedure described in Article 159 hereof; c) deposits made under the Deposit Auctions, as set forth in Article 192 of these Provisions and d) deposits in US Dollars that Borrower has in the Central Bank. Deposits before mentioned must be previously destined for this purpose by the borrower Commercial Bank. The amount of deposits should cover both principal and accrued interest that the credit will earn and maturity must be equal or greater than the term of the credit they guarantee.

For guarantees that are created with the US Dollar deposits referred to in paragraph d) of section IV above, Commercial Banks must request that, for such purposes, are segregated in the deposit account for guarantees held at Bank of Mexico, through the SIAC-BANXICO from 8:30:00 to 16:30:00 hours or any other electronic, computer or telecommunications means approved for this purpose by Bank of Mexico or otherwise, in requests prepared in terms of Annex 5 of these Provisions, duly signed by representatives of the Commercial Bank having the authority to exercise acts of ownership.

Institutions may withdraw deposits in US Dollars pledged, when not guaranteeing any obligation to their charge and in favor of Bank of Mexico. For such purpose, Institutions shall request the withdrawal through the SIAC-BANXICO between 8:30:00 and 16:30:00 hours. The US Dollars released will be credited to their Account in US Dollars on the Banking Business Day following the request.

The value of the guarantee shall be determined by applying the exchange rate published by the Bank of Mexico in the Official Gazette of the Federation on the date the guarantee is given less the discount factor published through the website of the Bank of Mexico in the financial network.

### **Characteristics of repo transactions**

**Article 155.-** Repo transactions entered into by Commercial Banks in terms of this Chapter shall have the following characteristics:

- I. Buyer: Bank of Mexico.
- II. Seller: The Commercial Bank that has received the notification referred to in the second paragraph of Article 151 of these Provisions.
- III. Term: The corresponding to the TIIE for which the Commercial Bank has submitted the respective quotation.
- IV. Securities involved in the repo: a) BONDES; b) IPAB Securities; c) BREMS; d) CETES excluding SPECIAL CETES, e) Segregated Coupons, which are owned by the respective Commercial Bank.

In order to determine the amount in national currency of UDIBONOS and its Segregated Coupons, and to make the charges related to transactions with such securities the equivalence applicable to the UDIS value on the value date of the transaction of such securities will be used.

The term to maturity of the securities involved in the repo should be longer than the term of the repos themselves. Likewise, the value of the securities involved in the repo determined as provided in the following paragraph

shall be equal to or greater than the sum of the price of the transaction plus the premium.

The value of the securities involved in the repo will be determined based on the procedure described in Annex 7 of these Provisions, adjusted according to the type of security in question and using the parameters that are disclosed through SAGAPL under the provisions of the SAGAPL manual.

- V. Price: The amount corresponding to the proportion of the credit allocated by Bank of Mexico that is formalized through a repo.
- VI. Premium: The interest rate that the Commercial Bank has quoted, less the differential that the Bank of Mexico has indicated according to paragraph two of article 151 hereof.

Bank of Mexico will enter into a separate repo transaction for each type of security involved in the repo that it acquires as buyer.

### **Formalization of the repos**

**Article 156.-** In order to formalize repos executed in terms of this Chapter, Commercial Banks must transfer the securities involved in the repo to the securities deposit account that the securities depository institution has at Bank of Mexico in its own position. Such transfer must be instructed through SAGAPL.

Once Bank of Mexico has accredited in its account at the securities depository institution the aforementioned securities, it shall formalize the repos in ascending order of the maturity term of the securities and will make the relevant payment in the Sole Account of the Commercial Bank concerned.

Commercial Banks may at any time recover the securities that they have transferred to the account of Bank of Mexico in the securities depository institution when they have not been used to formalize the repos. For such purposes, they must request said securities through SAGAPL in the terms and deadlines set out in this Chapter and in the SAGAPL manual. In any case, at the end of the Banking Business Day such securities will be returned to the securities accounts of the respective Commercial Banks in the securities depository institution.

The interests that the securities involved in the repo may pay during the term of the repo transaction will be credited by the Bank of Mexico in the Sole Account that it carries for the Seller of said securities, on the same Banking Business Day in which they were paid by the issuer.

On the maturity date of the repos, at the latest at 17:55 hours, the Bank of Mexico will credit in the Sole Account of the Seller of securities the corresponding Price and Premium.

In the case the Seller does not have sufficient funds in its Sole Account to settle the repos in full, Bank of Mexico shall carry out, on behalf of the institution, new repo transactions through SAGAPL with the same characteristics as the previous repo transaction, which will expire at the close of operations of the next Banking Business Day.

Bank of Mexico will charge in the Sole Account of the Seller of securities, at the opening of the Banking Business Day following the date the new repo transactions were entered into, the amount obtained from multiplying the base amount by twice the Weighted Bank Funding Rate published by the Bank of Mexico on the Banking Business Day on which the new repo transactions were made, dividing the result by 360.

The base amount shall be the result of subtracting to the amount of new transaction the positive balance of the Sole Account at closing. If the result is zero or negative, the charge set forth above shall not apply. In case the balance in the Sole Account at the closing of operations is negative, the base amount shall be the amount of the new repos.

### **Acceleration of credit or repo transactions**

**Article 157.-** The Bank of Mexico will allow those accredited Commercial Banks to accelerate the credit or repo transactions they have executed provided that new credit and/or repo transactions are made. In any case, the new transactions must be made in the amount of the accelerated transaction and shall have the same interest rate or premium, and expiration date.

### **Procedure in case of default in the execution of transactions**

**Article 158.-** If a Commercial Bank does not have enough deposits or securities to guarantee or to enter into credit and/or repo transactions for the total amount of the credit that has been given, the Bank of Mexico will deposit the amount for which it has not been possible to formalize the credit and/or repo transactions until the corresponding guarantees are given. The aforementioned Commercial Bank may pay the outstanding credit and/or repo transactions on any Banking Business Day following notification.

The Bank of Mexico will charge in the Sole Account of said Commercial Bank, the amount obtained by applying to the amount for which the credit and/or repo transactions have not been formalized, the interest rate corresponding to the number Days of default.

### **Deposits at the Bank of Mexico**

**Article 159.-** On the Banking Business Day immediately following the submission of quotations, the Bank of Mexico will charge the appropriate amount of the corresponding deposit in the Sole Account for Commercial Bank which has to make the deposit. If the Commercial Bank does not have sufficient resources, the provisions of Section I of Article 116 hereof shall apply.

The interest rate to be accrued by deposits created by Commercial Banks shall be equal to the interest rate that the Commercial Bank in question has quoted, plus the spread that Bank of Mexico had published under the second paragraph of Article 151 of these Provisions.

The deposits made by the Commercial Bank shall be subject to the time of their creation as collateral for overdrafts in the Sole Account of the depositor Commercial Bank.

During the term of the aforementioned deposits, the Commercial Bank may direct through SAGAPL that the deposit or part thereof that is not guaranteeing an overdraft of those mentioned in the previous paragraph, is used to secure the financing under this section, or to be granted under the Deposit Auctions, set forth in these Regulations.

On the due date of each of the deposits, Bank of Mexico will make the payment for the principal and interest amount of the relevant deposit in the Sole Account of the Commercial Bank that made said deposit, which will stop guaranteeing overdrafts in the Sole Account of the Institution.

### **Section III** **General Provisions**

#### **Information about the quotations**

**Article 160.-** The Bank of Mexico will make available to all interested parties information about the quotations submitted the same Banking Business Day in which the TIIE is determined in its website through SIAC-BANXICO or any other electronic, computer or telecommunications systems that the Bank of Mexico has authorized for that purpose.

The information referred to above, shall include the name of the Commercial Banks who submitted quotations as applicable.

#### **Return of earnings**

**Article 161.-** The Bank of Mexico will return to the Commercial Banks the profits derived from the credit transactions executed and for the deposits received in terms of this Chapter.

Corresponding refunds shall be made at maturity of the term of each transaction for which such profits have been obtained. The allocation of such profits shall be in proportion to the amount quotes by the Commercial Banks that participated in the respective auction.

## **Agreement to execute credit or repo transactions**

**Article 162.-** In order to carry out credit and repo transactions as referred to in this Chapter, interested Commercial Banks shall enter into an agreement with Bank of Mexico, for which they will need to provide the Operations Implementation Division with certified and simple copies of the deeds stating the powers:

- I. To exercise acts of ownership;
- II. To grant powers of attorney to Bank of Mexico in terms of the provisions issued by the Bank itself, and
- III. To expressly appoint the persons that will act as operators of the payment systems managed by Bank of Mexico.

Additionally, they must submit to such Division simple copy of the official identification of the person who intends to sign that agreement.

On the other hand, they must submit to the Central Bank Back-office Division a power of attorney in favor of Bank of Mexico in terms of Annex 10 hereof, signed by the person having the aforementioned powers. A copy of said power of attorney should be sent to the securities depository institution.

The presentation of the above mentioned documentation must be made at least ten Banking Business Days prior to the date in which they intend to begin participating in the process of determining the TIIE provided in this Chapter. The interested Commercial Bank must have signed the agreement at least five Banking Business Days prior to such date.

The Commercial Bank must send a copy of the aforementioned power of attorney to the appropriate securities depository institution.

## **Interest Rate**

**Article 163.-** The interest rates to be obtained as provided in this Chapter shall be expressed in annual percentage terms and rounded to four decimal places.

## **CHAPTER V EXCHANGE RATE DETERMINATION TO SETTLE LIABILITIES DENOMINATED IN CURRENCIES PAYABLE IN MEXICO**

### **Section I Procedure for determining the exchange rate**

#### **Request to participate**

**Article 164.-** The Institutions interested in participating in the determination of the exchange rate referred to in this Chapter must indicate by written communication addressed to the Domestic Operations Division of Bank of Mexico in accordance

with the model attached as Annex 13 of these Provisions, which must show handwriting verification issued by the Bank of Mexico.

The presentation of such communication implies that the Institution consents to the provisions of this Chapter and agrees to file quotations when the Bank of Mexico so requests it, and to participate in the purchases and sales of US Dollars, when it so determines.

Institutions wishing to stop participating in the determination of the exchange rate must inform it to the aforementioned Domestic Operations Division by written communication provided with at least five Banking Business Days in advance.

### **Quotations obtained via electronic means**

**Article 165.-** Each Banking Business Day, Bank of Mexico will obtain the quotations of the purchase and sale exchange rate of the US Dollar for transactions settled on the second Banking Business Day following the date of the quotation of any of the exchange transaction platforms or any other similar electronic means that, in its view, reflects the prevailing conditions in the market for wholesale exchange. Those quotations will be obtained during the following three periods: from 9:00:00 to 9:59:00 hours from 10:00:00 to 10:59:00 hours, and from 11:00:00 to 12:00:00 hours.

To this end, Bank of Mexico will select at random, within each of those periods, the highest purchase quotation and the lowest sale quotation in effect that in its opinion represent the prevailing market conditions in the wholesale foreign exchange market at the time they were obtained. The equilibrium exchange rate for each of the periods will be calculated by the arithmetic average of the aforementioned quotations.

### **Calculation of the exchange rate obtained electronically**

**Article 166.-** The Bank of Mexico shall calculate the arithmetic average of the three equilibrium exchange rates by closing the result to four decimal places.

In the event that the Central Bank cannot estimate the equilibrium exchange rate in one or more of these periods, it shall determine the exchange rate based on the information obtained in accordance with the above procedure, in the corresponding period(s).

### **Quotations requested to Institutions**

**Article 167.-** If Bank of Mexico is unable to obtain quotations of the exchange rate as stated in Article 165 above, it shall determine the exchange rate based on the method described in this article and in the Articles 168 to 170 of these Provisions. To this end, the Institutions shall be informed by Bank of Mexico about this fact with enough time and through the means it deems appropriate, in order to be able to file quotations requested from them in terms of what is stated in the following paragraph.

Bank of Mexico will get on the Banking Business Day in question quotations for the purchase and sale exchange rate for the US Dollar for transactions to be settled on the second Banking Business Day following the date of the quotations of the Institutions whose operations in its view reflect the prevailing conditions in the market for wholesale foreign exchange market. Those quotations will be obtained during the following three periods: from 9:00:00 to 9:59:00 hours from 10:00:00 to 10:59:00 hours, and from 11:00:00 to 12:00:00 hours. Each Institution may only submit quotations for one period by Day.

To that regard, Bank of Mexico shall select randomly, within each of these periods, an interval of fifteen minutes to request quotations from at least four Institutions.

Bank of Mexico will request such quotations in an amount that, in its view, reflects the prevailing practice in the wholesale foreign exchange market. The amount will be the same for all periods referred to in the first paragraph of this article.

### **Confirmation of quotations**

**Article 168.-** The quotations must be confirmed on the same Banking Business Day to the Domestic Foreign Exchange Operations Subdivision of Bank of Mexico through a written document, by electronic means or by any other means which provides a record of the confirmation.

### **Effects of quotations**

**Article 169.-** The quotations submitted shall be considered binding and irrevocable, shall have broader effects as appropriate by law, and must be representative of the conditions prevailing in the foreign exchange market when they are presented.

Bank of Mexico may dismiss quotations that do not comply with the provisions of this Chapter.

### **Calculation of the exchange rate obtained from quotations submitted by Institutions**

**Article 170.-** Bank of Mexico shall calculate the equilibrium exchange rate for each of the periods referred to in Article 167 above, applying the procedure referred to in Annex 14 of these Provisions. Afterwards, it will get the arithmetic average of the three equilibrium exchange rates, closing the result to four decimal places.

In the event that Bank of Mexico cannot estimate the equilibrium exchange rate in one or more of these periods, it shall determine the exchange rate based on the information obtained in accordance with the above procedure, in the corresponding period(s).

## **Section II** **General Provisions**

## **Publication of the exchange rate**

**Article 171.-** Bank of Mexico shall publish in the Official Gazette of the Federation the exchange rate resulting from the procedures set out in Articles 166 or 170 of these Provisions, as applicable, on the Banking Business Day immediately following the day on which it determines it.

## **Exchange rate to settle liabilities denominated in US Dollars**

**Article 172.-** The payment obligations denominated in US Dollars hired in or out of Mexico to be fulfilled in Mexico, will be paid by delivering the equivalent in national currency at the exchange rate that Bank of Mexico published in the Official Gazette of the Federation on the Banking Business Day immediately preceding the day on which payment is made.

The equivalence of the Mexican peso and other foreign currencies is calculated by reference to the price for the latter against the US Dollar in international markets on the Day when payment is made. These quotations will be announced by the Institutions at the request of the interested parties.

## **Informing the public**

**Article 173.-** The Office of Library Services of Bank of Mexico will keep available to the public at large, the name of the participating Institutions, as well as information on the prices mentioned in the previous articles, as from the third Business Day following the Banking Business Day in which Bank of Mexico has calculated the corresponding exchange rate, indicating, as applicable, the name of the foreign exchange trading platforms, of the electronic media or of the Institutions from which such quotations were obtained.

# **CHAPTER VI DEPOSIT AUCTIONS AND LIQUIDITY AUCTIONS**

## **Section I General Provisions**

### **Types of auctions**

**Article 174.-** Deposit Auctions and Liquidity Auctions may be:

- I. At flat rate. These auctions are those in which the offered amount of the deposit or resources will be allocated from the best bid for the Bank of Mexico and the bids resulting with allocation will be addressed at the same rate as the last bid that receives an allocation, although it has been partially addressed.
- II. At multiple rates. These auctions are those in which the offered amount of the deposit or resources will be allocated from the best bid for the Bank of

Mexico and the bids resulting with allocation will be addressed at the requested rate, although it has been partially addressed.

Bank of Mexico may determine the minimum rate at which it is willing to enter into the respective transaction in each of the Liquidity Auctions and the maximum rate for the Deposit Auctions.

### **Public announcements**

**Article 175.-** The total amount, period and other characteristics of the Deposit Auctions or Liquidity Auctions, will be disclosed to the Institutions through summons, which will be announced through SIAC-BANXICO.

When the Bank of Mexico decides that the bids related to Deposit Auctions or Liquidity Auctions are presented in an interactive way, it will disclose it to the interested parties in the corresponding summons.

### **Agreement to participate in Liquidity Auctions**

**Article 176.-** To be able to participate in the Liquidity Auctions, Institutions must sign an agreement with Bank of Mexico. To this end, they must submit to the Operations Implementation Division a certified and uncertified copy of the public document that evidences the powers:

- I. To exercise acts of ownership;
- II. To grant powers of attorney to the Bank of Mexico in terms of the provisions issued by the Bank itself, and
- III. To expressly appoint who shall act as operators of payment systems managed by the Bank of Mexico.

Additionally, the Institutions must submit to such Division simple copy of the official identification of the person who intends to sign that agreement. Likewise, they must submit to the Central Bank Back-office Division a power of attorney in favor of the Bank of Mexico in terms of Annex 10 hereof, signed by the person having the aforementioned powers, of which a copy should be sent to the securities depository institution.

The presentation of the documentation referred to above must be made at least ten Banking Business Days prior to the date they intend to begin participating in the Liquidity Auctions. In any case, the Institution in question must sign the relevant agreement at least five Banking Business Days prior to such date.

## **Section II** **Bids**

## **General characteristics**

**Article 177.-** The positions of the Liquidity Auctions and Deposit Auctions shall meet the following characteristics:

- I. They should be competitive;
- II. The amount specified in the bids must be in multiples of millions of pesos and may not exceed the amount announced in the summons, and
- III. The rates relating to the bids must be expressed in percentage points and closed to hundredths.

## **Additional characteristics of the Liquidity Auctions**

**Article 178.-** In Liquidity Auctions, the bidder must indicate the resources it wants to purchase and the annual interest rate at which it is willing to receive them.

## **Additional characteristics of the Deposit Auctions**

**Article 179.-** In Deposit Auctions, the bidder must indicate the resources it wants to include in the deposit and the annual interest rate at which it is willing to make such deposit.

## **Submitting bids own account**

**Article 180.-** In Deposit Auctions and Liquidity Auctions, the Institutions must submit their bids on their own behalf through the SIAC-BANXICO in the form, terms, date, time and conditions set forth in the respective summons and in the operating manual of SIAC-BANXICO.

In case of failure of the system, the Institutions may submit their bids exceptionally through other electronic means, computer or telecommunication means authorized by the Bank of Mexico, having to confirm them in writing with the Domestic Operations Division in a sealed envelope no later than 17:00:00 hours on the same Banking Business Day, in the form attached as Annex 15 of these Provisions, accompanied by a cover letter.

Both documents must be signed by the same representatives duly authorized by the bidder. Additionally, the letter must provide the handwriting verification issued by the Bank of Mexico; therefore, such signatures must be pre-registered before the Central Bank.

By the mere fact of submitting bids, Institutions authorize the Bank of Mexico to debit or credit in their Sole Account the amount of cash required.

The access, identification and, where appropriate, operating codes established for the use of SIAC-BANXICO or electronic, computer or telecommunication means, shall replace the handwritten signature by an electronic one; therefore, the

documentary or technical evidence where they appear shall have the same effects as the law provides to documents executed by the parties and, therefore, will have equal probative value.

## **Effects**

**Article 181.-** The bids shall conform to the following:

- I. Every bid shall be binding upon the bidder submitting it and will be irrevocable, and
- II. They shall have the broadest effects in law and will involve appropriate bidder acceptance of each and every provision of this Chapter and the terms and conditions set forth in the summons in which the Bank of Mexico communicates the particular characteristics of each auction.

The Bank of Mexico may disregard the bids received should they do not conform to what is stated in these Provisions, in the relevant summons, or are somehow incomplete or incorrect.

## **Section III** **Awarding**

### **Procedure**

**Article 182.-** In Liquidity Auctions, the bids will receive an allocation in descending order of the corresponding rates not exceeding the maximum amount specified in the summons itself.

In Deposit Auctions, the bids will receive an allocation in ascending order of the corresponding rates not exceeding the maximum amount specified in the summons itself.

In both types of auctions, the last bid to receive allocation may be partially addressed in its amount.

### **Tied bids**

**Article 183.-** Tied bids at any level which amount to allocate is not sufficient shall be served in proportion to their amount, except in the case of interactive auctions, in which case the bids will be handled in the order they were received.

### **Power of the Bank of Mexico to declare void an auction or reject bids**

**Article 184.-** The Bank of Mexico reserves the right to declare void the auction or reject bids when it considers that they do not adequately represent market conditions, could eventually produce undesirable effects therein or, detects collusion between the participating Institutions.

## **Section IV** **Formalization**

### **Procedure to carry out transactions**

**Article 185.-** Institutions must formalize the bids that receive allocation by entering into credit and/or repo transactions that fulfill the provisions of this Chapter, using the SAGAPL. Additionally, they must comply with the terms and conditions set forth in the SAGAPL manual.

### **Schedules**

**Article 186.-** The Bank of Mexico will try to formalize the allocations for each Liquidity Auction within the schedules defined in the SAGAPL manual. Said schedules will be available through SAGAPL.

### **Formalization order**

**Article 187.-** For each Liquidity Auction, participant and assigned amount, Bank of Mexico will try to formalize each transaction in the following order:

- I. The bids of the auctions in descending order considering their term, and
- II. Where an Institution has more than one bid assigned to the same auction, in descending order according to the rate of such bids.

In all cases, each allocated bid will be first formalized entering into credit transactions and, if necessary, entering into repos.

### **Characteristics of the credit transactions**

**Article 188.-** The credits with which the allocations are formalized in the Liquidity Auctions shall have the following characteristics:

- I. Lender: Bank of Mexico;
- II. Borrower: The Institution that has received the allocation;
- III. Term: That set by Bank of Mexico in the summons for the relevant auction;
- IV. Amount: The amount of resources allocated by Bank of Mexico guaranteed with one same type of deposit of those under section VI below;
- V. Interest Rate: The rate for an allocated position, and
- VI. Collateral:
  - a) The monetary regulation deposits that borrower keeps with Bank of Mexico;

- b) The deposits made according to the procedure for the determination of the TIIE;
- c) Deposits made under the Deposit Auctions, and
- d) Deposits in US Dollars that borrower Institution keeps in the respective account at Bank of Mexico.

Deposits previously mentioned must be previously destined for this purpose by the borrower Institution. In any case, the amount of deposits should cover both principal and accrued interest that the credit will earn and maturity must be equal or greater than the term of the credit they guarantee.

For guarantees that are created with the US Dollar deposits referred to in paragraph d) above, Institutions must request that, for such purposes, they are segregated in the deposit account for guarantees held at Bank of Mexico, through the SIAC-BANXICO or any other electronic, computer or telecommunications means approved for this purpose by the Bank of Mexico or otherwise, in requests prepared in terms of Annex 5 duly signed by representatives of the Institution having the authority to exercise acts of ownership. The value of guarantee shall be determined by applying the exchange rate published by the Bank of Mexico in the Official Gazette of the Federation on the date of its creation less the discount factor published through the website of the Bank of Mexico in the financial network.

Institutions may withdraw deposits in US Dollars pledged, when not guaranteeing any obligation to their charge and in favor of the Bank of Mexico. For such purpose, Institutions shall request the corresponding withdrawal through the SIAC-BANXICO between 8:30:00 and 16:30:00 hours. The US Dollars released will be credited to their Account in US Dollars on the Banking Business Day following the request.

### **Characteristics of the repos**

**Article 189.-** The repos with which the allocations are formalized in the Liquidity Auctions shall have the following characteristics:

- I. Buyer: Bank of Mexico.
- II. Seller: The Institution that has received the allocation.
- III. Term: That set by Bank of Mexico in the summons for the relevant auction.
- IV. Securities involved in the repo: a) BONDES; b) IPAB Securities; c) BREMS; d) CETES excluding SPECIAL CETES, and e) Segregated Coupons, which are owned by the respective Institution.

In order to determine the amount in national currency of UDIBONOS and its Segregated Coupons, and to make the charges related to transactions with such securities the equivalence applicable to the UDIS value on the date of the transaction of such securities will be used.

The validity of the securities subject to repo shall be greater than the term of the repo which is formalized.

Likewise, the value of the securities involved in the repo determined as provided in the following paragraph shall be equal to or greater than the sum of the price of the transaction plus the premium.

The value of the securities subject matter of the repo will be determined based on the procedure described in Annex 7, adjusted according to the type of security in question and using the parameters that are disclosed through SAGAPL under the provisions of the SAGAPL manual.

V. Price: The amount of resources allocated in each bid of the auction to be formalized through a repo.

VI. Premium: The rate for an allocated bid.

Bank of Mexico will enter into a separate repo for each type of security of the repo acquired as Buyer.

In order to formalize repo transactions, the Institutions must transfer the securities of the repo to the securities deposit account that Bank of Mexico has at the securities depository institution. Such transfer must be sent through SAGAPL.

### **Additional characteristics of the repos**

**Article 190.-** Once Bank of Mexico has credited the aforementioned securities in its account in any institution for the deposit of securities, it shall formalize the repo transactions and will credit the corresponding resources in the Sole Account of the Institution in question. The repos shall be recorded in ascending order taking into account the maturity of the securities.

Institutions may at any time recover the securities that they have transferred to the account of the Bank of Mexico in any securities depository institution and which have not been used to formalize repos. For such purposes, they must request it through the SAGAPL, in the terms and deadlines set out in this Chapter and in the SAGAPL manual. In any case, at the end of the day such securities will be returned to the securities accounts of the respective Institutions in the securities depository institution.

Interests that the securities of the repo may pay, if applicable, over the life of the operations will be credited by the Bank of Mexico in the Sole Account that it carries for the seller, on the Banking Business Day when they have been paid by the issuer.

On the maturity date of repos, at the latest at 17:55:00 hours, Bank of Mexico will credit in the Sole Account of the seller the corresponding price and premium. In the case the seller does not have sufficient resources in its Sole Account to settle the repos in full, the Bank of Mexico shall carry out, on behalf of the Institution, new repos through SAGAPL, which will expire at the close of operations of the following Banking Business Day and which other characteristics shall be the same as the previous repos. Likewise, Bank of Mexico will charge in the Sole Account of the seller, at the opening of the Banking Business Day following the date of the execution of the new repos, the amount obtained from multiplying the base amount by twice the "Weighted Bank Funding Rate" published by the Bank of Mexico on the Banking Business Day on which the new repos were made, dividing the result by 360.

The base amount shall be the result of subtracting to the amount of new repos the positive balance of the Sole Account at closing. If the result is zero or negative, the charge set forth above shall not apply. In case the balance in the Sole Account at the closing of operations is negative, the base amount will be the amount of the new repos.

#### **Early termination of the credit transactions or the repos**

**Article 191.-** Bank of Mexico will allow those accredited Institutions to accelerate the termination of the credit or repos they have entered into, provided that new credit and/or repos are made. In any case, the new transactions shall be made in the amount of the transaction early terminated and shall have the same interest rate or premium, and expiration date.

In case of early termination of a repo, Bank of Mexico shall provide the seller those securities subject matter of the repo to be released and will charge the Sole Account for the amount of the price and the premium, which corresponds to that date.

#### **Formalization of the winning bids in Deposit Auctions**

**Article 192.-** The Institutions receiving allocations in the Deposit Auctions shall formalize them through the creation of a deposit. Should the Commercial Bank do not have sufficient resources, the provisions of Section I of Article 115 hereof shall apply.

Deposits made by Institutions shall be, at the time of their creation, considered as collateral for overdrafts in the Sole Account of the depositor.

During the term of the deposits, the Institution may direct through SAGAPL that the deposit or part thereof that is not guaranteeing an overdraft of those mentioned in the previous paragraph, is used to secure the credits foreseen in the procedure for determining the TIIE under Chapter IV of Title Three hereof.

## **Section V**

### **Final provisions**

#### **Information of results**

**Article 193.-** Results of Deposit Auctions and Liquidity Auctions will be available through the SIAC-BANXICO within ten minutes after the deadline for submission of the bids in each auction.

The total amount of resources that have actually been delivered to the Institutions in each Liquidity Auction through repo or credit transactions will be communicated to the Institutions through SIAC-BANXICO or through any other electronic, computer or telecommunication means authorized by the Bank of Mexico, once the period for formalizing allocations has expired as per Article 185 of these Provisions.

#### **Suspension or limit of Liquidity Auctions and Deposit Auctions**

**Article 194.-** Bank of Mexico may suspend the participation of Institutions in the Liquidity Auctions and Deposit Auctions whenever it detects collusion between them.

Additionally, Bank of Mexico may suspend the participation of Institutions in Liquidity Auctions when:

- I. They violate the terms of the contract referred to in Article 176 of these Provisions, or
- II. The bidder who has received an allocation does not have deposits or securities sufficient to guarantee or to enter into the credit and/or repo transactions for the total amount that has been allocated.

In this case, the Bank of Mexico, without need of judicial order, will terminate the respective transaction for the amount by which it has not been formalized; thus, the following Banking Business Day it will debit the Sole Account of the defaulting Institution for the amount that results from applying to said amount the interest rate at which the bidder was assigned for one day, multiplied by 1.5.

Also, if the transactions of the Institutions do not meet the healthy uses or sound practices in the market, Bank of Mexico may limit the participation of one or more of said Institutions in the Liquidity Auctions or in the Deposit Auctions.

#### **Acts of God or force majeure**

**Article 195.-** In the event that, due to unforeseeable circumstances or force majeure, Liquidity Auctions or Deposit Auctions may not be conducted through SIAC-BANXICO in accordance with these Provisions, Bank of Mexico will announce the procedure for the realization thereof.

**TITLE FOUR  
OPERATING TOPICS**

**SOLE CHAPTER  
CLEARINGHOUSES**

**Section I  
Clearing in Mexican pesos**

**Clearing of documents**

**Article 196.-** The Clearing of Documents will take place in Clearinghouses authorized by Bank of Mexico, in any mode of operation and through the mechanisms freely agreed upon by the participating Institutions, which must abide by the provisions of this Chapter, as well as healthy banking uses and banking practices.

**Prohibition of entry barriers**

**Article 197.-** Institutions participating in a Clearinghouse must ensure that the latter enables membership to all Institutions on equal terms, provided they meet the respective requirements.

**Authorization to operate as a Clearinghouse**

**Article 198.-** Institutions wishing to establish a Clearinghouse with three or more participating Institutions must apply for authorization to the Bank of Mexico and attach a draft multilateral agreement that will govern the operational modalities adopted for the Clearing.

Such request for authorization must be submitted with an advance of at least ninety Days of the entry into force of the agreement.

**Characteristics of the multilateral contract**

**Article 199.-** The multilateral agreement entered into to incorporate a Clearinghouse shall establish a partnership scheme where the decisions regarding the duration or early termination of the arrangement concerned; the capital increase or reduction arising from causes other than the entry or exit of an Institution; the appointment and removal of the persons responsible for the administration and supervision, and the approval of management or, in general, any amendment to the legal act of its incorporation, can only be taken in resolutions adopted by the affirmative ballot of the number of Institutions that represent, at least, half of the members subscribing the aforementioned agreement.

Additionally, the agreement must provide that:

- I. The summons for meetings shall: contain the agenda; be signed by the person that makes it, and be informed through a notice published in a national newspaper with at least fifteen days in advance of the date fixed for the meeting.
- II. The number of members sitting on the board of directors is odd and that members are appointed annually.
- III. Institutions that have not initially signed the agreement may request to adhere thereto. The Clearinghouse must respond in writing to the relevant application within a period not exceeding twenty days from the date of submission.
- IV. Institutions have the right to withdraw from the Clearinghouse, without this requiring any payment, by notice to be given in a reliable way and which will take effect until the end of the current fiscal year if the notification is made before last quarter of that year, and until the end of next year if it is done later, unless the board approves a shorter period.
- V. Bank of Mexico shall be summoned to meetings of all boards and committees held by the Clearinghouse to participate with voice but no vote, having veto power over the decisions taken at such meetings.
- VI. The matters to be approved by a qualified majority of the board are:
  - a) Fees, as well as fines and penalties for non-compliance with the operating rules of the respective Clearinghouse;
  - b) Development and modification of the operating procedures and operating manuals;
  - c) New services linked to the purpose of the Clearinghouse;
  - d) Financial planning decisions, such as profit strategies, annual budgets of revenues, expenditures and adjustments, as well as new investments and contributions;
  - e) Presentation of proposals to the decision-making body of the Clearinghouse for any amendment to the agreement, as well as those relating to investment in other companies, the merger, split-off, transformation and dissolution of the Clearinghouse;
  - f) Appointment and removal of the CEO, and
  - g) Reduction of time for the total or partial withdrawal of any partner Institution, noted in section IV of this article.
- VII. Any amendments made to the agreement shall be subject to authorization by Bank of Mexico. Also, when it amends its provisions relating to Clearing

and transfer of funds and, under the abovementioned changes, there are inconsistencies between the provisions and the agreement in question, the appropriate changes to the agreement must be made, to make it consistent with the relevant provisions.

### **Administration Body**

**Article 200.-** The multilateral agreement referred to in the preceding article, shall further provide that the appointment of members to integrate its board meets the following:

- I. Partner Institutions with greater participation in the operations of the Clearinghouse shall appoint the number of members obtained by dividing by two the number obtained by adding one to the total number of members of the board.

In order to determine the Institutions that had a greater participation in the Clearinghouse, the volume of Documents produced and received during the twelve months immediately preceding the date of the conclusion of the meeting for the election of members of the board of Clearinghouse concerned will be considered.

For this purpose, the Institutions will be sorted in descending order according to their participation in the Clearinghouse until reaching a number of Institutions equal to the members as per the first paragraph of this section, so that each of them appoints one of those members, and

- II. Partner Institutions other than those referred to in section I nominate the remaining members.

For the purposes of the provisions in sections I and II above, partner Institutions who are in any of the following assumptions should be considered as a single Institution in order to determine their participation in the Clearinghouse; thus, they may only appoint a member of the board of directors and the corresponding deputy member:

- I. They belong to the same financial group;
- II. They are in the process of merging, or
- III. They control or are controlled, legally, administratively or operationally, by one or more Partner Institutions.

When two or more partner Institutions have appointed more than one member of the board and they are subsequently located in any of the cases referred to above, a new designation must be made in terms of the provisions of this article in order that these Institutions appoint one member only of that board of directors and one deputy member.

In the event that any member of the board and one deputy member stop providing their services in the Institution which has appointed them under this article, that Institution may appoint a temporary substitute member by written communication to be delivered to the governing body and the person or body responsible for surveillance while the relevant decision-making body meets to resolve as appropriate.

Partner Institutions will have the same number of votes that confer them equal rights in decision-making.

## **Clearinghouse Manual**

**Article 201.-** The Institutions that are members of the Clearinghouse shall define in a manual the operating rules and procedures to carry out the Clearing transactions. Bank of Mexico must authorize such manual, as well as any amendments to be made.

These operating rules and procedures shall include, among others, the following:

- I. Obligations and rights of the parties;
- II. Technical specifications;
- III. Timetable for submitting Documents, as well as returns and adjustments thereto;
- IV. Procedure for the Institutions to conduct any research that may take place when a check is returned for the reasons 16 or 23 set out in Annex 16 of these Provisions;
- V. Procedures to carry out the Clearing, in cases there is a contingency for which the Clearing cannot take place in accordance with normal procedures, and
- VI. Terms and conditions under which the Electronic Funds Transfer Service, the Direct Debit Service and the Exchange and Banking Cash Clearing Service shall be provided.

## **Obligation to participate in the Clearinghouses**

**Article 202.-** The Institutions will be required to participate in at least one Clearinghouse which are authorized by the Bank of Mexico, if any, and to receive Documents that are submitted thereto.

The Institutions shall be entitled to submit Documents in the Clearinghouse in which they participate.

## **Reports through SICAM**

**Article 203.-** The Clearinghouses will report to Bank of Mexico through SICAM on the dates, schedules and according to the procedures outlined in the operating manual of SICAM, the following:

- I. The information of the Documents that each Institution has submitted to each of the other Institutions, indicating the date of submission of the Documents and the date on which the settlement will be made, and
- II. The information about the Documents returned by the Institutions in terms of Section III of Article 204 of these Provisions, and the adjustments made, corresponding to the Documents submitted on the immediately preceding Banking Business Day.

Additionally, the Clearinghouses shall report to Bank of Mexico under the terms stated in the preceding paragraph, the information concerning the transactions that each Institution has made through the Electronic Funds Transfer Service, the Direct Debit Service and the Exchange and Banking Cash Clearing Service, indicating the date on which they will be settled, and the information on the returns.

## **Obligations of Institutions participating in a Clearinghouse**

**Article 204.-** The Institutions participating in a Clearinghouse shall have the following obligations:

- I. Accept without restriction the Documents at their charge that are submitted for Clearing;
- II. Present in the Clearinghouse the Documents received from their customers to make payments for services and contributions, and for payment into account, on the date they are received;
- III. Note on checks that they refuse to pay for any legal reason, the respective reason for return, either by using a stamp or print by electronic means, specifying the reason for such return as stated in Annex 16 hereof. Regarding the return of Documents other than those specified, that set forth in the applicable provisions shall govern and what the participating institutions may freely agree upon;
- IV. Authorize the Bank of Mexico to debit or credit, as applicable, the Sole Account it holds on their behalf, up to the amount resulting from the Clearing, based on the information provided on their behalf by the relevant Clearinghouse;
- V. Authorize the Bank of Mexico to debit or credit the Sole Account it holds on their behalf, up to the amounts that are required to exercise credit lines they had given or received from other Institutions, in terms of the provisions of Article 208 of these Provisions;

- VI. Authorize the Clearinghouse to provide Bank of Mexico with the necessary information to determine its net debit or credit balance, if any, resulting from the Clearing, and
- VII. Carry out debits and credits on their customers' accounts for the Documents submitted to the Clearinghouse on the Banking Business Day following the date on which such Documents have been submitted in the respective Clearinghouse no later than 12:00 hours.

Debits and credits mentioned in the preceding paragraph shall be made on their customers' accounts no later than 12:00 hours of that Day, in case the event referred to in Article 215 of these Provisions takes place.

### **Power of attorney in favor of Bank of Mexico**

**Article 205.-** In order to comply with the obligations under sections IV and V of the preceding article, Institutions will issue a power of attorney to Bank of Mexico in terms of Annex 17 of these Provisions signed by the person with powers to perform acts ownership, for which they must submit to the Payment Systems Operation and Business Continuity Division certified and simple copies of the deeds granting of the powers referred to above, as well as simple copy of their official identifications.

The presentation of the documentation referred to above must be made at least ten Banking Business Days prior to the date they intend to start operations.

The Institution must send a copy of the aforementioned power of attorney to the relevant Clearinghouse for its information.

### **Incorporation and withdrawal of Institutions in the Clearinghouse**

**Article 206.-** Whenever an Institution joins or leaves a Clearinghouse, the latter and the Institution concerned shall communicate jointly in writing this situation to the Central Bank Back-office Division of Bank of Mexico at least ten Banking Business Day prior to the date the participation of the Institution begins or ends, as appropriate.

An Institution may participate in a Clearinghouse through another Institution or of the Clearinghouse in question, being the latter bound to submit and/or accept on behalf of the first those Documents submitted to it by this Institution.

To this end, the Institutions that wish to participate in a Clearinghouse in the above terms shall sign the corresponding agreement and send a copy to the Central Bank Back-office Division of the Bank of Mexico and, where appropriate, to the relevant Clearinghouse.

## **Documentary preservation**

**Article 207.-** In order to answer questions and clarifications of the Institutions participating in a Clearinghouse, the latter should preserve at least for one hundred eighty Days the supporting documentation of the Clearing.

Institutions must give written notice to the Clearinghouse of any error or omission in the record of the results of the Clearing within forty-five Days after registration.

## **Credit lines between Institutions**

**Article 208.-** For the settlement of the Clearing of Documents, Institutions may grant credit lines to each other. To this end, Institutions shall inform Bank of Mexico about the schedules, terms and procedures set forth in SICAM's operating manual, the amount of credit lines granted to the other Institutions. While the Institutions have not notified Bank of Mexico about any changes to the line of credit granted to any Institution, the last line of credit that has been determined will be considered in force.

Institutions may increase the amount of credit lines that they have determined for that Day by notifying the Bank of Mexico in the terms the latter may indicate.

## **Credit lines limits between Institutions**

**Article 209.-** The line of credit granted by an Institution to any other shall not exceed thirty percent of the net capital of the lender Institution. This limit also applies to the sum of the credit lines that an Institution grants to others that are part of the same financial group.

For purposes of the provisions of the preceding paragraph, the net capital shall be determined in accordance with the applicable rules for capitalization requirements issued by the competent authority.

In the case of Commercial Banks, the net capital will be the one for the corresponding month as provided in Annex 9 hereof and, in the case of Development Banks, will be the one that corresponds to the third month immediately preceding the month in question. The Bank of Mexico may authorize the use of a net capital on a date later than that indicated.

In any case, the sum of all credit lines granted by an Institution to the others may exceed the amount obtained by multiplying by 1.5 the amount obtained as provided in Annex 9.

## **Exercise of credit lines**

**Article 210.-** The lines of credit shall be exercised up to the amount that is required according to the results of the clearance by means of charges and payments that Bank of Mexico makes to the Sole Accounts of the lender and borrower

Institutions, respectively, at 8:30 hours. The payment of the exercised loan will be made in the manner agreed to by the parties.

### **Results of the Clearing**

**Article 211.-** Based on the information received by Bank of Mexico through SICAM, it shall determine the preliminary or final outcome of the Clearing of the Documents by following the procedure described in Articles 212 to 214 hereof, whereby specifying:

- I. The amount of net receivables or payables resulting from the Clearing, and
- II. Where appropriate, the amounts to be exercised of each of the lines of credit granted without these exceeding the amount reported to Bank of Mexico.

All Banking Business Day, at the times set in the SICAM operating manual, the Institutions may consult via SICAM the previous and final result of the Clearing process.

### **Priority in the settlement of the Payment Obligations at SICAM**

**Article 212.-** The priority in which the Payment Obligations of participants in SICAM will be settled will depend on those settled by the system in the following order:

- I. Check Service;
- II. Electronic Fund Transfers Service;
- III. Direct Debit Service, and
- IV. Exchange and Banking Cash Clearing Service.

### **Hedging of negative balances**

**Article 213.-** In order to cover the deficits that any participant could have in SICAM, the following procedure shall apply:

- I. It will use its surplus resources in the SIAC-BANXICO;
- II. If this balance is not sufficient, it will use the credit granted by Bank of Mexico to such Institution in the SIAC-BANXICO to cover those deficits. These resources will be used to cover the deficits of the services in the order of priority mentioned in previous article, and
- III. Should the participant's ability to pay in the SIAC-BANXICO not be enough to cover the deficits, bilateral credit lines that it may have contracted will be used considering only those of the participants to whom credit has been

offered and who have Payment Capacity in SIAC-BANXICO or who have positive balance in SICAM.

The lines shall be exercised proportionately among all bidders and the deficit of services will be covered, if possible, in the order of priority described in the previous article.

### **Procedure to eliminate Payment Obligations from the settlement process**

**Article 214.-** If after applying the procedure described in the previous article there are still Institutions that have no resources to pay all of their obligations, the following shall apply:

- I. Institution with the highest negative balance to cover its Payment Obligations in SICAM shall be determined;
- II. The Payment Obligations arising from that Institution derived from the Exchange and Banking Cash Clearing Service will be cancelled;
- III. Should the aforementioned Institution continue with a negative balance to meet its Payment Obligations, those derived from the Direct Debit Service will be cancelled;
- IV. Where that Institution continues with a negative balance to meet its Payment Obligations and the balance were greater than the sum of its Payment Obligations derived from the Documents received in all Clearinghouses, its Payment Obligations of the Electronic Funds Transfer Service will be cancelled;
- V. If the Institution still continues with a negative balance, a set of Clearinghouses will be identified in which the sum of the Payment Obligations of that Institution arising from Documents is greater or equal to the negative balance and such Payment Obligations will be cancelled.

The set of Clearinghouses will be integrated considering as one Clearinghouse each of the sites where the Institutions perform the physical exchange of Documents; and

- VI. When the aforementioned Institution ceases to have a deficit position in SICAM as a result of applying any of the previous cancellations, the Payment Obligations will be updated and the procedure described in the previous article with the not-cancelled Payment Obligations shall apply.

### **Exclusion of Documents in the Clearinghouse**

**Article 215.-** In the event that one or more Institutions cannot settle their negative balances resulting from the final outcome of the Clearing process established on the first paragraph of Article 211 above, Bank of Mexico will make the clearing excluding from one or more Clearinghouses the Documents and/or transactions

made through the Electronic Funds Transfer Service, the Receipt Direct Debit Service and the Exchange and Banking Cash Clearing Service, corresponding to the Institutions concerned, according to the procedure described in Articles 212 to 214 of these Provisions.

Documents to be excluded from one or more Clearinghouses under the preceding paragraph shall be returned to the respective Clearinghouse no later than 10:00 hours on the settlement Day itself, indicating that the cause of return is attributable to the drawee bank in accordance with the model attached as Annex 16 of these Provisions.

### **Settlement of the Clearing**

**Article 216.-** The Bank of Mexico shall make the settlement of the Clearing of Documents by crediting or debiting to the Sole Accounts of the Institutions at 8:30 hours.

### **Revoking the authorization**

**Article 217.-** Bank of Mexico may revoke the authorization to operate as a Clearinghouse when the Institutions repeatedly and seriously infringe the provisions of this Chapter; they do not comply with the commitments assumed under the relevant multilateral agreement or, in general, according to the Bank of Mexico, undertake transactions in violation of good uses or practices regarding the Clearing.

### **Bilateral clearing**

**Article 218.-** Institutions may enter into bilateral agreements to settle between them, and outside a Clearinghouse, their payment obligations arising from Documents submitted under such bilateral agreements.

The debits and credits that the Institutions must carry out in the accounts of their customers for the Documents that have been presented for payment in accordance with bilateral agreements should be performed on the Banking Business Day following the day on which such Documents have been submitted for collection, no later than 12:00:00 hours.

Except as provided in this Article, the provisions of this Chapter shall not apply to the Institutions that enter into bilateral agreements.

## **Section II** **Clearing in US Dollars**

### **Clearing**

**Article 219.-** The Institutions shall perform the clearing of checks and money orders in US Dollars through the procedures and mechanisms freely agreed.

These procedures and mechanisms must comply with the good banking practices and uses.

The transfer orders in US Dollar funds to settle the Clearing will be made abroad or in the accounts opened by the Institutions for this purpose in any Institution interested in providing such service without the intervention of Bank of Mexico.

## **TITLE FIVE EXCHANGE RISK POSITION AND INVESTMENT REGIME**

### **CHAPTER I EXCHANGE RISK POSITION**

#### **Limits to Exchange Risk Position**

**Article 220.-** By close of business each Day, Institutions may maintain an Exchange Risk Position that, both in general, as well as by currency, does not exceed the equivalent of fifteen per cent of their core capital.

Institutions can request authorization from the Bank of Mexico to calculate the limits specified above, applicable to the Long or Short Positions, based on a set Long Position up to an equivalent in US Dollars of its equity account. In the authorization granted by the Bank of Mexico, the amount of the said Long Position will be established.

#### **Computable assets and liabilities**

**Article 221.-** When calculating their Risk Exchange Position, Institutions must take into account the assets and liabilities referred to in Annex 33 of the “General Provisions applicable to Credit Institutions” issued by the National Banking and Securities Commission or the one that replaces it, except for transactions foreseen in Annex 18 of these Provisions.

Nevertheless, when the Bank of Mexico deems it convenient, it will determine that some of the Foreign Currency transactions foreseen in the aforementioned Annex 18 are not excluded from the calculations. For this purpose, the Central Institution will consider their amount and percentage of the total Foreign Currency transactions of the Institution concerned.

The Transactions in Foreign Currency must be calculated according to their book value in terms of the provisions issued by the aforementioned Commission, net, if any, of the corresponding estimates.

Option transactions foreseen in the Bank of Mexico general provisions regarding derivative transactions and structured bank notes will be calculated by multiplying their notional amount by the delta resulting from the valuation model used by the Institution for the derivative operation concerned.

In the case of financial products that consist of two or more transactions, each one of them will compute according to its special features as part of the Foreign Currency position they correspond to.

For financial products where some of their transactions are in or referred to Foreign Currency and others are in or referred to Mexican pesos, only those in or referred to Foreign Currency will compute. The aforementioned, without prejudice to the Provisions in Article 223, Section II, last paragraph.

For purposes of this article, those assets and liabilities that Institutions register for obligations whether owed to or by them, payable in Mexican pesos, referred to exchange rates of Mexican pesos against Foreign Currencies, are considered as assets and liabilities in Foreign Currency.

Institutions may request authorization from Bank of Mexico to include or exclude certain assets and liabilities from the calculation of their Exchange Risk Position.

### **Calculations**

**Article 222.-** In order to calculate the Exchange Risk Position, the core capital will be determined by the general provisions in article 50 of the Credit Institutions Law, corresponding to the third month immediately prior to the month concerned. Without prejudice to the foregoing, in the case of Commercial Banks:

- I. Incorporated in the month the calculations are carried out, as well as the previous month, the core capital concerning the date when the resources were effectively provided for the incorporation will be used;
- II. Incorporated in the second month immediately prior to the month when the calculations are made, the core capital for the closing of the aforementioned second month will be used;
- III. That have increased any of the items that make up the core capital in the month previous to the month when the calculations are made, will use the core capital for the date when the increase was effectively made, and
- IV. That have increased any of the items that make up the core capital in the second month immediately prior to the month when the calculations are made, will use the core capital of the closing of the aforementioned second month.

The provisions in the previous sections III and IV will be applicable as long as the Commercial Banks report to the Bank of Mexico the core capital that was used as reference the way the Directorate of Financial System Information states.

In the case of Development Banks, the Bank of Mexico can authorize to use the core capital from a later date than the one specified.

In case that after the month concerned the core capital of the Institution, applied to that month, is modified for any reason, the Bank of Mexico can determine, in each case, if new calculations must be made for the Exchange Risk Position, taking into account the modified core capital. To this effect the Central Institution will take into consideration:

- I. The causes for calculating the new capital;
- II. The effect on the calculation results;
- III. The time elapsed from the original calculation date to the date of the new core capital calculation, and
- IV. Any other element which it deems appropriate on the matter.

For the purpose of the calculations of the limits referred to in this article, the core capital equivalence in US Dollars will be taken into account using the exchange rate published by the Bank of Mexico in the Official Gazette of the Federation, the next immediate Banking Business Day to the date the core capital corresponds to.

### **Calculation mechanism**

**Article 223.-** The Institutions must include the following Foreign Currency transactions in the calculations of its Exchange Risk Position:

- I. Those carried out by its agencies and Branches Abroad, and
- II. Those carried out at their domestic and foreign subsidiary financial entities, that are not securities firms, foreign exchange firms, guarantee institutions, insurance companies, managing companies of investment companies, pension funds managers, investment companies, or retirement fund management companies.

For this purpose, those financial entities which the Institution or the financial group holding to which the Commercial Bank belongs, that own, whether directly or indirectly, voting shares that represent at least fifty one per cent of the paid-up capital, have control of the general stockholders meetings or the right to appoint most of the members of the board or their equivalent, will be considered as subsidiaries.

The Institutions can request from the Bank of Mexico to be excluded from the calculations of the Foreign Exchange transactions of the said subsidiaries. To this effect, the Bank will decide taking into consideration, among other things and if applicable, the following elements:

- a) The type of subsidiary, the applicable regulations and the supervision it is under;

- b) Whether the subsidiary is within a preferred tax jurisdiction or not;
- c) The existence of a deposit insurance system in the country where the subsidiary is located, as well as the characteristics of the system;
- d) The existence of a financial authority that can act as lender of last resort for such subsidiary in the country where it is located, and
- e) The volume and type of Foreign Exchange transactions of the subsidiary.

In the case of foreign financial subsidiaries, Long and Short Positions will be considered as computable, under article 221 of these Provisions according to the following:

- a) The balances of the assets and liabilities denominated in or referred to Mexican pesos of the relevant subsidiary will be determined, considering as such those that are not subject to Exchange risk;
- b) Such assets and liabilities will be converted into US Dollars using the exchange rate published by the Bank of Mexico in the Official Gazette of the Federation the next immediate Banking Business Day after the date for those balances, and
- c) Once converted, the assets will compute as a Short Position and the liabilities as a Long Position.

### **Conversion of Foreign Currency into US Dollars**

**Article 224.-** For the purpose of the calculation of Exchange Risk Positions, when the assets and liabilities in question are in Currencies other than the US Dollar, the Institutions must convert the relevant Currency to the said US Dollars. In order to carry out such conversion, they must consider the exchange rate in the international markets by close of business of the Day in question, for the Currency concerned against the aforementioned US Dollar.

### **Allowable excesses**

**Article 225.-** The Bank of Mexico may authorize Commercial Banks excesses of the limits in the Exchange Risk Position stated in article 220 of these Provisions for up to five Days in a twelve month period for each limit, provided that within a period of no longer than ten Banking Business Days, starting on the next Banking Business Day after the date when the excess concerned occurs, the Commercial Banks submit to the Bank of Mexico an authorization request duly signed by officers with sufficient powers that include the following:

- I. Details of the action or omission that originated the excess(es);

- II. A report of the corrective actions that will be taken to avoid excess(es) in the future, and
- III. The necessary information to prove that the Commercial Bank will be within the limit concerned, once the aforementioned corrective actions are implemented.

In case that ten Banking Business Days have elapsed after the Bank of Mexico has received the aforementioned request and the said Bank of Mexico has not communicated its decision in writing regarding the authorization, or if it has not requested additional information, it will be understood that the excesses related to such request have been authorized.

## **CHAPTER II INVESTMENT REGIMES**

### **Section I Liabilities admission and investment regimes for transactions in Foreign Currencies**

#### **Liabilities admission regime**

**Article 226.-** Commercial Banks must comply with the following liabilities admission regime in Foreign Currency:

At the close of each Day they cannot keep a liabilities amount subject to a limit higher than 1.83 times its core capital. Such liabilities amount subject to a limit will be obtained according to the following:

- I. Liabilities will be classified in four groups according to their Calculation Term and the amount of liabilities to calculate will be determined in each group by multiplying the liabilities amount by the following weighting factors:

<b>LIABILITIES CALCULATION TERM</b>	<b>WEIGHTING FACTOR</b>
Up to a year	1.00
From a year to two years	0.20
From two to three years	0.10
More than three years	0.05

- II. The total liabilities amount will be determined by adding up the amounts that result according to the previous section.
- III. The assets will be classified in two groups and the assets amount in each group will be calculated by multiplying the assets amount by the following weighting factors:

<b>ASSETS TYPE</b>	<b>WEIGHTING FACTOR</b>
Liquid assets, Money Market Assets	1.0

and Foreign Currency receivable.

Valid credits with A, B or C grade, obtained according to the Regulations for the rating of loan portfolios of Commercial Banks that the relevant authority issues, as well as other assets and rights with a Calculation Term of up to a year, other than the aforementioned. 0.5

- IV. The total amount of assets will be determined by adding up the amounts that result according to the previous fraction.
- V. The amount of liabilities subject to limit will be the positive amount that results from subtracting from the liabilities total amount determined according to section II above, the total amount of assets calculated according to section IV above.

### **Allowable excesses**

**Article 227.-** The Bank of Mexico may authorize Commercial Banks excesses to the limits of the liabilities admission regime in Foreign Currency for up to five Days in a twelve month period for each limit, provided that within a period of no longer than ten Banking Business Days, starting on the next Banking Business Day after the date when the excess concerned occurs, the Commercial Banks submit to the Bank of Mexico an authorization request duly signed by officers with sufficient powers, where:

- I. The act or omission that generated the excess(es) is detailed;
- II. They report the corrective actions they will take to avoid excess(es) in the future, and
- III. They supply the necessary information to prove that, once the corrective actions mentioned above are implemented, the Commercial Bank will be within the limit concerned.

In case that ten Banking Business Days have elapsed after the Bank of Mexico received the aforementioned request and that it has not communicated its decision in writing regarding the authorization, or if it has not requested additional information, it will be understood that the excesses related to such request have been authorized.

### **Investment regime**

**Article 228.-** Commercial Banks are required to comply with the following investment regime regarding their Foreign Currency transactions:

## I. Total requirement of Liquid Assets

At the close of each Day they must keep invested in Liquid Assets an amount not smaller than the result of adding up the amounts indicated in sections II and III of this article.

## II. Liquid Assets requirement due to lack of assets to compensate liabilities

The computable assets and liabilities will be classified in four groups according to their Calculation Term as follows: one Day, one to eight Days, one to thirty Days and one to sixty Days.

For the purpose of this section the following will be considered as computable assets:

- a) Money Market Assets;
- b) Foreign Currency to Receive, and
- c) Other assets and rights different from Liquid Assets and those included in paragraphs a) and b) above.

Computable assets from each group will be deducted from the liabilities amount in the corresponding group.

The requirement of Liquid Assets due to missing assets in order to compensate liabilities will be the highest amount resulting according to the paragraph above, as long as it is positive.

## III. Requirement of Liquid Assets due to calculation term of liabilities

Liabilities will be classified in sixty groups according to their Calculation Term as follows: one Day, two Days and so on until sixty Days.

To the liabilities classified Day by Day will be subtracted an amount equal to the one calculated in the last paragraph of section II of this article. Such subtraction will be made starting with smallest Calculation Term of the liabilities up to the largest Calculation Term of the liabilities, up to the point where it is applicable.

Once the arithmetic operation referred to in the paragraph above has been made, the computable assets whose Calculation Term is smaller or equal to the liabilities Calculation Term will be subtracted from the remaining liabilities. The said subtraction will be made, up to the point where it is applicable, starting from the liabilities smallest Calculation Term up to the largest Calculation Term of the same liabilities.

For the purpose of this section the following will be considered computable assets:

- a) Money Market Assets, and
- b) Foreign Currency to Receive.

Lastly, the remaining liabilities classified Day by Day will be multiplied by the factor corresponding to the remaining Days of the term according to Annex 19.

The requirement of Liquid Assets by Calculation Term of the Liabilities will be the sum of the amounts that result according to the paragraph above.

### **Excesses in liabilities admission limit or missing Liquid Assets**

**Article 229.-** Commercial Banks will be fined according to articles 29 and 33 of the Law of the Bank of Mexico when they exceed the liabilities limit, or if they incur in the following missing Liquid Assets:

- I. Those that each Day, considering for non-Banking Business Days the result of the calculations of the previous Banking Business Day, exceed the higher of the following amounts:
  - a) Ten per cent of the average of the Liquid Assets requirement stated in section I of article 228 of these Provisions; or
  - b) Ten per cent of the Liquid Assets average.

For that purpose, the percentages referred to will be determined based on the amounts related to the second period immediately prior to the period concerned.

- II. Those that without exceeding the percentage stated in the previous fraction, during the period concerned, do not have a corresponding amount of surplus Liquid Assets registered in different Days of the same period, and that each Day do not exceed the same percentage stated in the previous section. To that effect, the calculations will be made cumulatively, adding up the surpluses on one side and the missing amounts on the other, each Day.

For this purpose each period will cover the Days indicated in Annex 20 of these Provisions. The Bank of Mexico may establish, when it deems convenient, that the aforementioned period start in different dates for certain Commercial Banks.

### **Exceptions to liabilities and investment regimes**

**Article 230.-** Commercial Banks that have a general and permanent unconditional guarantee for their Foreign Currency Transactions, granted by financing entities from abroad, whose long term debt is rated AA by Standard and Poor's or Aa3 by Moody's, or that have an equivalent rating by another international rating agency

and are authorized by the Bank of Mexico will not be subject to articles 226 and 228 of these Provisions.

### **Liabilities calculations for the investment regime**

**Article 231.-** For the purpose of the investment regime for Transactions in Foreign Currency, liabilities will be calculated in the following way: checking accounts included in “Part 1” of paragraph a) of Annex 21 of these Provisions will be weighted by a factor of 0.20 and the rest of the liabilities by a factor of 0.95.

Values referred to in paragraph c) of the Liquid Assets definition and a), b), c) and d) of the Money Market Assets definition, shall be classified “to negotiate” or “available for sale”, according to the corresponding provisions of the National Banking and Securities Commission.

### **Transactions included for the calculation of liabilities admission and investment regimes**

**Article 232.-** For the calculation of liabilities admission and investment regimes for Transactions in Foreign Currency, Commercial Banks must proceed according to the following:

- I. They must include the calculations of the Foreign Currency Transactions that their agencies and Branches Overseas carry out and those from their subsidiary financial entities both domestic and foreign, that are not securities firms, foreign exchange firms, guarantee institutions, insurance companies, managing companies of investment companies, pension funds managers, investment companies, or retirement fund management companies. For this purpose those financial entities which the Commercial Bank or the financial group holding to which it belongs, is the owner whether directly or indirectly, of voting shares that represent at least fifty one per cent of the paid-up capital, have control of the general stockholders meeting or the right to appoint most of the members of the board or their equivalent, will be considered subsidiaries.

Commercial Banks may request an authorization from the Bank of Mexico to exclude their subsidiaries from the calculations of Foreign Currency Transactions. For that purpose, the Bank of Mexico will make a decision about the request taking into consideration, among other things and if they are applicable, the following elements:

- a) The type of subsidiary, the applicable regulations and the supervision it is under;
- b) Whether the subsidiary is within a preferred tax jurisdiction or not;
- c) The existence of a deposit insurance system in the country where the subsidiary is located, and the characteristics of the system as well;

- d) The existence of a financial authority that can act as lender of last resort for such subsidiary in the country where it is located, and
- e) The volume and type of Foreign Currency Transactions of the subsidiary.

Regardless of whether the Commercial Bank has received the aforementioned authorization, in case the abroad financial entity, subsidiary of the Commercial Bank had missing amounts regarding the investment regime that it must follow according to the applicable provisions in the country where it is located, the amount missing will be considered, for all purposes and every Day there is a missing amount, as a Liquid Asset requirement according to section I of article 228 of these Provisions.

In the derivative transactions carried out by those subsidiary financial entities of the Commercial Bank, in respect of which the subsidiary and the Commercial Bank do not have authorization to carry them out, the rights will not compute and the obligations will compute with an expiration date of one Day.

Without prejudice to what paragraph b) of this section states, in the case of Commercial Banks that belong to a financial group composed of securities firms, they must also include in the calculations the obligations related to derivative transactions carried out by subsidiary financial entities of those securities firms, that the securities firm and the Commercial Bank do not have authorization to enter them into, calculating those obligations with an expiration date of one Day.

- II. They must include in the calculations the assets and liabilities transactions, guarantees issued and the opening of irrevocable credits, referred to in the accounts catalogue of the National Banking and Securities Commission, as well as all the other rights and obligations, if any, that the Bank of Mexico establishes, except for transactions stated in Annex 22 of these Provisions.

Without prejudice to the aforementioned, the Bank of Mexico can determine that some of the Foreign Currency Transactions stated in the said Annex 22 are not excluded from the calculations. To that effect, the Central Institution will consider their amount and the percentage they represent from the total Transactions in Foreign Currency of the Commercial Bank concerned.

Foreign Currency Transactions must be calculated at book value according to the provisions issued by the aforementioned Commission, net, if any, of their corresponding estimates.

## **Calculations**

**Article 233.-** Additionally, for the calculation of liabilities admission and investment regimes for Transactions in Foreign Currency, the Commercial Banks must proceed according to the following:

- I. The expiration term of Foreign Currency Transactions will be equivalent to the number of Days between the calculation date and the corresponding settlement date, except in those Foreign Currency Transactions which have a specific term.

Foreign Currency Transactions payable in parts on different dates must be computed for the amount of each of its parts according to their corresponding term at maturity.

- II. The amount in checking accounts will be classified as stated in Annex 21 of these Provisions.
- III. Foreign Currency to Receive will compute with expiration date of two Banking Business Days previous to the settlement Day, except transactions with expiration dates of one or two Days, which will compute with expiration date of one Banking Business Day.
- IV. Liquid Assets will compute with an expiration date of one Day.
- V. Money Market Assets will compute in the following way:
  - a) Those in paragraphs b) and e) of the corresponding definition, with expiration date of one Day;
  - b) Those in paragraph a) of the said definition, with expiration date of five Days;
  - c) Those in paragraph h) of the said definition, with expiration date of seven Days;
  - d) Those in paragraphs c), d) and g) of the said definition, on their expiration date, and
  - e) Those in paragraph f) of the said definition, according to the following section VI.
- VI. The assets that are given as guarantee, loan, repo or through any other legal structure that limits their availability, will compute as follows:
  - a) The values stated in paragraphs a), b), c), d) and f) of the Money Market Assets definition, on the liabilities expiration date, that they are guaranteeing or liabilities relating to the transaction concerned, as appropriate, and
  - b) Any other assets, with an expiration term that is longer than:
    - i) The liabilities they guarantee or liabilities relating to the transaction concerned, as appropriate, and

- ii) The assets expiration term.
- VII. The provided guarantees will be calculated as assets and liabilities:
- a) Assets, on the expiration term based on the agreed term for payment to the Commercial Bank of the resources that it would have guaranteed in case it does not settle the transaction concerned at maturity, and
  - b) Liabilities, on the expiration term of the main guaranteed transaction.
- VIII. Irrevocable trade credits other than those excluded from the calculations according to number 6 in the title "Commercial Banks" in Annex 22 of these Provisions, regardless of their term, will compute with an expiration term of forty Days.
- IX. Resources generated by the credit portfolio managed by Commercial Banks in name of the Institute for the Protection of Banking Savings, whose flows are credited to the aforementioned Institute in the accounts known as "EPF Checking" will compute on the same expiration term as the obligations of the said Institute and in favor of those Commercial Banks that have some kind of payment guarantee from the Federal Government of the United Mexican States, as long as it was agreed on the relevant contracts that those resources would be used to settle the said obligations of the Institute for the Protection of Banking Savings.

#### **Other transactions that must be included in the calculations**

**Article 234.-** Besides what the previous article provides for calculating liabilities admission and investment regimes for Foreign Currency Transactions, Commercial Banks must proceed according to the following:

- I. Fixed term instruments issued by a Commercial Bank, whose payment is guaranteed under any legal structure with credit lines from financial entities abroad that have a Rating for Liquidity Requirement according to paragraph e) of the Money Market Assets definition, will be computed at maturity of the instrument plus the number of Days agreed for payment of the concerned provision, in case the credit line is exercised.
- II. Liabilities transactions carried out by Commercial Banks that foresee their right to pay them in advance will compute at maturity. When the customers have the aforementioned right, such transactions will compute on the first due date on which such customers can demand advanced payment.
- III. Loans contracted for acquiring securities in Foreign Currency that foresee automatic reduction clauses in their amount or an increase in the amount of the required guarantees in case the securities price decreases, will be computed in the following way:

- a) Liabilities with an expiration term of fifteen Days, and
- b) Securities with and expiration term determined according to their expiration date.

The provisions in this section will be applicable to derivative transactions that have similar effects to the aforementioned transactions.

- IV. Depository receipts and stocks will compute with an expiration term of a year.
- V. Values in paragraph a) of the Money Market Assets definition will compute according to the lowest rating granted for international purposes, by Standard and Poor's or Moody's, or to the equivalent rating granted by other international rating agencies, only by a percentage of their market value according to the following table:

<b>Rating</b>		<b>Computable % according to Market Value</b>
<b>S &amp; P</b>	<b>Moody's</b>	
<b>Investment degree</b>		
> AA-	> Aa3	100
A+	A1	90
A	A2	90
A-	A3	90
BBB+	Baa1	80
BBB	Baa2	80
BBB-	Baa3	80
<b>Speculation degree</b>		
BB+	Ba1	50
< BB	< Ba2	0

- VI. The values referred to in paragraph a) of the Money Market Assets definition, that for international purposes have a rating lower than A or A3, granted by Standard and Poor's or Moody's, respectively, or an equivalent rating granted by other international rating agencies can only compute as Money Market Assets for an amount not greater than 1 per cent of the computable liabilities average with an expiration term of less than sixty one Days, referred to in section II of article 232 of these Provisions, related to the second period immediately prior to the period in question.

- VII. Including in the calculations the rights stated in paragraph g) of the Liquid Assets definition and e) or the Money Market Assets definition, will be subject to authorization from the Bank of Mexico. Without prejudice of section VIII, the Bank of Mexico will establish the period, amount and computing term of the said rights in the authorization it issues. To this effect the Central Institution, among other aspects, will take into consideration:
- a) The expiration term on which, if the credit line is executed, the Commercial Bank would have to pay the relevant credit line;
  - b) If the credit line is being granted by the parent financial entity of the Commercial Bank subsidiary, and
  - c) The main transaction types of the Commercial Bank and the composition of its Liquid Assets and Money Market Assets.
- VIII. The sum of the rights in paragraph g) of the Liquid Assets definition and the rights in paragraph e) of the Money Market Assets definition can compute up to an amount that is less than:
- a) Twenty five per cent of the computable liabilities average with an expiration term of less than sixty one Days, referred to in section II of article 232 of these Provisions, related to the second period immediately prior to the concerned period, and
  - b) Five hundred million US Dollars, if the financial institution(s) that support them have an A-1 or P-1 rating of two hundred and fifty million US Dollars, if the rating of those financial entities is A-2 or P-2.

For calculating this limit, the rights in paragraph g) of the Liquid Assets definition will be taken into consideration first.

- IX. Listed options, including those derived from structured bank securities transactions will be calculated by multiplying their notional amount by the delta that results from using the valuation model applied by the Commercial Bank for the derivative transaction concerned.

### **Additional provision for calculating liabilities admission and investment regimes**

**Article 235.-** To calculate liabilities admission and investment regimes for Transactions in Foreign Currency, Commercial Banks, must additionally comply with the following:

- I. The calculations will be made in US Dollars. Transactions denominated in or referred to Foreign Currencies other than the said US Dollar must be converted to US Dollars taking into account the exchange rate for the relevant currency against the said US Dollar in international markets by close of business on the Day concerned.

- II. For financial products that consist of two or more operations, each one will be calculated according to its particular characteristics.

In the case of financial products such as structured bank notes, where some of their transactions are denominated in or referred to Foreign Exchange and others to Mexican pesos, only those that are denominated in or referred to Foreign Exchange will be computed.

Without prejudice to the foregoing, in derivative transactions:

- a) Those agreed on delivery of the underlying asset will compute for the total of the corresponding value of assets and liabilities, and
  - b) Those agreed on cash settlement will compute for the amount of the difference between the assets and liabilities values, as assets if the first is greater than the second and as liabilities if the latter is greater than the former.
- III. Two to seven Days Deposits in financial entities abroad that have a Rating for Liquidity Requirement, stated in paragraph d) of the Liquid Assets definition will compute as Liquid Assets up to an amount equivalent to fifty per cent of the Liquid Assets total requirement average referred to in section I of article 228 of these Provisions, related to the second period immediately prior to the period concerned. To this effect, the calculations will be made by computing the Deposits in order from shortest to longest expiration term. Deposits that exceed the aforementioned limit, will compute as Money Market Assets according to their expiration term.

Without prejudice to the foregoing, the Bank of Mexico can determine, on the date that it deems convenient, that the maximum percentage by which the said Deposits can compute as Liquid Assets must be less than the one stated in the previous paragraph, by sending a document to the concerned Commercial Bank. For this purpose it will take into consideration the following:

- a) The structure by type and term of the liabilities and assets of the Commercial Bank concerned;
- b) The composition of its Liquid Assets;
- c) The volume of its Transactions in Foreign Currency;
- d) The amount of the said Deposits, and
- e) The percentage that Foreign Currency Transactions represent from the total transactions of the Commercial Bank.

In these cases, the valid Deposits on the previous Banking Business Day to the date when the aforementioned document is enforced, that exceed the

new maximum percentage determined by the Bank of Mexico for the Commercial Bank concerned, can keep computing as Liquid Assets only until maturity.

- IV. Investments in investment funds or investment companies referred to in paragraph f) of the definition of Liquid Assets, will compute as such up to an amount not greater than twenty five per cent of the total amount of those Liquid Assets, understanding that investments in each firm or investment fund can only be computed up to an amount that does not exceed the following percentages:
- a) Fifteen per cent of the total amount of Liquid Assets, and
  - b) Five per cent of the company's shares or of the total contributions, or of the securities issued by the fund concerned.

The said limits will be determined, as applicable, based on the average of the total Liquid Assets related to the second period immediately prior to the period concerned and based on the total amount of shares of the company or of the total contributions or of the securities issued by the respective fund, related to the last Day of the second month immediately prior to the expiration date of the period concerned.

- V. Transactions in Foreign Currency that do not have a determined expiration term will compute in the following way:
- a) Assets with an expiration term of more than a year, and
  - b) Liabilities with an expiration term of one Day.
- VI. The Deposits in financial entities abroad that have a Rating for Liquidity Requirement that can be realized the next Banking Business Day to the Day concerned, will compute with an expiration date of one Day, regardless of whether there are non-Banking Business Days between both dates.

### **Core capital**

**Article 236.-** In accordance with article 226 of these Provisions, the core capital will be determined according to the general provisions referred to in article 50 of the Credit Institutions Law, corresponding to the third month immediately prior to the month concerned. Without prejudice to the foregoing, in the case of Commercial Banks:

- I. Incorporated in the month when the calculations are made, as well as the previous month, the core capital relative to the date on which the resources were effectively provided for the incorporation will be used;

- II. Incorporated on the second month immediately prior to the month for which the calculations are made, the core capital related to the closing of the aforementioned second month will be used;
- III. That have increased any of the items that integrate their core capital on the previous month to the month the calculations are made, the core capital related to the date when the aforementioned increase has been made will be used, and
- IV. That have increased any of the items that integrate their core capital in the second month immediately prior to the month for which the calculations were made, the core capital related to the closing of the aforementioned second month will be used.

Sections III and IV above will be applicable as long as Commercial Banks report to the Bank of Mexico the core capital they used as reference, in the form that the Directorate of Financial System Information establishes.

In case that after the month concerned the core capital of the Commercial Bank applied in the said month is modified for any reason, the Bank of Mexico can determine in each case if it needs to calculate again the liabilities limit for the Foreign Currency Transactions, taking into account the modified core capital.

### **Rating for Liquidity Requirement**

**Article 237.-** Companies and financial entities or their issues will be considered as having Rating for Liquidity Requirement, even if they do not have such rating, have an unconditional and general guarantee for complying with all their obligations or the total of the transaction or specific issue concerned, granted by the company or parent financial entity that controls directly or indirectly at least fifty one per cent of the social capital of the company or financial entity concerned, as long as that parent institution has a Rating for Liquidity Requirement.

In the case of secured transactions, according to the paragraph above, the Commercial Bank must keep in its files a document that clearly states that the company or financial entity that acts as its counterpart in the transaction or that the securities subject to investment, have the aforementioned guarantee and that the guarantor parent institution has a Rating for Liquidity Requirement.

## **Section II**

### **Investment regime for liability transactions in Mexican pesos**

#### **Investment regime**

**Article 238.-** Liabilities in Mexican pesos of the Commercial Banks stated in groups I to V of Annex 23 of these Provisions, can be invested in credits and other assets with the limitations established in the Credit Institutions Law and other applicable provisions.

The Bank of Mexico will consider for all legal effects as non-authorized liabilities, those resulting from Banking Securities that Commercial Banks have paid in advance in violation of the applicable provisions, as well as liabilities derived from any transaction carried out with the purpose of acquiring Banking Securities, issued, accepted, or guaranteed by the Commercial Bank, as well as liabilities resulting from the acquisition of subordinated debentures issued by other Institutions or by holding companies, in violation of expressly authorized terms in these and other applicable provisions.

**ANNEX 1**

**Application for Direct Debit**

\_\_\_\_\_, 20\_\_\_\_.

I request and authorize periodic charges to my account based on the following information:

1. Name of the good, service or credit provider to be paid: \_\_\_\_\_.
2. Good, service or credit, to be paid: \_\_\_\_\_  
Identification number issued by provider where appropriate (not compulsory): \_\_\_\_\_.
3. Payment frequency (*Invoicing*) (*Example: weekly, two-weekly, monthly, bimonthly, biannually, annually, etc.*): \_\_\_\_\_ or, if appropriate, the specific day the payment is requested to be made: \_\_\_\_\_.
4. Name of the bank that holds the demand deposit account or savings account that will be charged: \_\_\_\_\_.
5. Account identification information, any of the following:  
Debit card number (*16 digits*): \_\_\_\_\_;  
Standardized Banking Key ("*CLABE*") of the Account (*18 digits*): \_\_\_\_\_, or  
Cell phone number linked to the account: \_\_\_\_\_.
6. Maximum fixed amount authorized to be charged by invoice by period: \$\_\_\_\_\_.  
Instead of the maximum fixed amount, when paying revolving credits associated to credit cards, the account holder can choose to authorize one of the following charge options:

*(Mark with a X the appropriate option)*

Minimum payment amount for the period: ( ),  
Total balance in order not to generate interest in the period: ( ), or  
A fixed amount: ( ) (*Include amount*) \$\_\_\_\_\_.

7. This authorization is for an undetermined period of time ( ), or expires on: \_\_\_\_\_.

I am aware that I can request cancellation of this direct debit without any charge.

Sincerely,

---

**(ACCOUNT HOLDER'S NAME OR TRADE NAME)**

**ANNEX 2**

**Direct Debit cancellation form**

\_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
(CREDIT INSTITUTION NAME)

I request this bank to cancel the direct debit for the following payment:

1. Name of the good, service or credit provider: \_\_\_\_\_.
2. Direct debit requested to be cancelled for the following good, service or credit: \_\_\_\_\_.  
Identification number issued by Provider, if appropriate (not compulsory):  
\_\_\_\_\_.
3. Any identification information of the account charged:  
Debit card number (16 digits): \_\_\_\_\_;  
Standardized Banking Key ("CLABE") of the Account (18 digits): \_\_\_\_\_, or  
Cell phone number linked to the account: \_\_\_\_\_.

I am aware that there is no charge for the cancellation and that it will take effect in a period no longer than 3 Banking Business Days from the date of this request.

Sincerely,

\_\_\_\_\_  
(ACCOUNT HOLDER'S NAME OR TRADE NAME)

**ANNEX 3**

**Form for objecting Direct Debit charges**

\_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(CREDIT INSTITUTION NAME)

I request this bank to return the charge in the amount of \$\_\_\_\_\_ made on \_\_\_\_\_, 20\_\_, to my following account (*Debit or credit card number, 16 digits for the debit card, 18 digits for the credit card*), Standardized Banking Key of the Account "CLABE", or cell phone number linked to the account): \_\_\_\_\_.

Identification number of the charge generated by the Provider (*not compulsory*): \_\_\_\_\_.

I declare that:

(\* Mark with an X the appropriate option)

- \* \_\_\_\_ I did not authorize the charge;
- \* \_\_\_\_ The amount charged exceeds the amount authorized per period;
- \* \_\_\_\_ The charge was wrongfully made more than once during the same invoice period;
- \* \_\_\_\_ The authorization was cancelled before the charge was made, or
- \* \_\_\_\_ Any other case: \_\_\_\_\_.

I am aware that there will be no charge for the current objection if it is resolved in my favor. I am also aware that if it is resolved against me and this bank intends to charge a handling fee, it may not exceed: \$ \_\_\_\_\_ (*Amount to be included by the bank*)

E-mail or telephone number to receive an answer to the current request (*not compulsory*): \_\_\_\_\_.

Sincerely,

\_\_\_\_\_  
(ACCOUNT HOLDER'S NAME OR TRADE NAME)

**ANNEX 4**

**Form to request transfer of resources from accounts where  
Employment Benefits are received**

\_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
(CREDIT INSTITUTION NAME)

I request that the resources deposited to my account number \_\_\_\_\_ (Ordering account), are transferred without any charge to my account with CLABE number \_\_\_\_\_ (eighteen digits) or with debit card number \_\_\_\_\_ (sixteen digits), from \_\_\_\_\_ (Credit institution name), on the same Banking Business Day that the Employment Benefits are deposited.

The foregoing will be understood to mean that if those resources are available in the Ordering Account after 15:00:00 o' clock, the balance of such account must be credited to the account where I want the resources transferred, at the latest at opening of the next Banking Business Day.

In order to carry out this authorization I shown my official identification and in relation to the account where the resources will be transferred one of the following documents:

Contract;  
Account Statement, or  
Debit Card with my printed name on it.

This request must take effect at the latest on the next tenth Banking Business Day after the date on this request and will be valid until the date when I order its cancellation.

Sincerely,

\_\_\_\_\_  
(CUSTOMER'S NAME)

## ANNEX 5

### Application model for the segregation of US Dollars in a deposit account for guarantees

(CREDIT INSTITUTION LETTERHEAD)

Mexico, Federal District, \_\_\_\_\_, 20\_\_\_\_\_.

#### **BANCO DE MÉXICO**

Central Bank Back-office Division  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
Mexico, Federal District.  
P r e s e n t.

I hereby request the Bank of Mexico, on behalf of **(Full name of the credit institution)**, from this day on, to carry out the necessary actions to segregate in the deposit account for guarantees held by this Institution the amount of \$\_\_\_\_\_ (\_\_\_\_\_ US Dollars) in order to guarantee overdrafts that the *Sole Account* may incur on.

S i n c e r e l y,

Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership <sup>1</sup>

C.c.p.: Directorate of Operations Support  
Domestic Operations Division  
Customer Accounts Subdivision

The current document may be sent to the following e-mail addresses and fax numbers:

e-mail account	Fax number
<a href="mailto:jsantael@banxico.org.mx">jsantael@banxico.org.mx</a>	5227-8816
<a href="mailto:ljimenez@banxico.org.mx">ljimenez@banxico.org.mx</a>	5227-8787
<a href="mailto:asordo@banxico.org.mx">asordo@banxico.org.mx</a>	5227-8813 and 5227-8892 fax server
<a href="mailto:ncastro@banxico.org.mx">ncastro@banxico.org.mx</a>	5227-8787

<sup>1</sup> A simple and a certified copy of the deed where the authority to exercise acts of ownership of the person signing the current document is stated, as well a copies of their official identification documents must be sent to the Central Bank Back-office Division at least two Banking Business Days in advance to the date when it is intended to take effect, during working hours from 9:30 to 14:30 hrs.

## ANNEX 6

### Agency sample in favor of the Bank of Mexico to settle transactions with CLS Bank International

(CREDIT INSTITUTION LETTERHEAD)

“Mexico, Federal District, \_\_\_\_\_, 20\_\_.

#### **BANCO DE MÉXICO**

Payment Systems Operation and  
Business Continuity Division  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
Mexico, Federal District.  
P r e s e n t.

In accordance with the “Provisions applicable to the transactions of Credit Institutions and Rural Financial Institution” in case of a contingency of the Interbank Electronic Payment System (SPEI), that prevents sending Transfer Orders in favor of CLS Bank International or receiving payments from this entity, **(Full name of the Credit Institution)** authorizes and instructs the Bank of Mexico to: a) make charges to the *Sole Account* it holds for us, up to the amount of the payments we must settle with CLS Bank International, in the terms we indicate according to the Contingency Manual for Transactions with CLS Bank International, and b) deposit in the said *Sole Account* the amounts that the said entity sends in our favor, based on the information the latter provides to the Central Bank.

The authorization and instruction referred to in this document, can only be modified or revoked through a written document sent to this Directorate of Payment Systems and submitted at least one Banking Business Day before the date when the modification or revocation should take effect.

S i n c e r e l y,

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

## ANNEX 7

### Valuation of bonds and securities for guarantee effects

#### 1. General valuation procedure.

The Bank of Mexico will carry out a valuation of the instruments stated in the catalogue that it sends daily to the securities depository institution, using the valuation prices that are sent to it daily by the Price Providers (Providers) with whom it has signed the corresponding agreement. For the purpose of determining the value of the instruments that will be used for granting guarantees to the Bank of Mexico, as well as executing repo operations to provide liquidity to payment systems and repo in order to formalize the Liquidity Auctions referred to in the "Provisions applicable to the transactions of Credit Institutions and Rural Financial Institution", it can apply to each instrument a discount factor over the valuation price obtained according to the procedure described in this Annex. The said factors will be given to those institutions by the Bank of Mexico, as appropriate.

The valuation of fixed income financial instruments will be done by calculating a weighted average of the Providers prices, using random weights. The weighted factors are generated from a uniform distribution and are later normalized to ensure that the Bank of Mexico valuation Price is within the lowest and highest prices calculated by the Providers.

For each outstanding issue its dirty and clean prices will be determined.

The valuation prices will be calculated according to the following:

- a) If for instrument  $x$  there are at least 2 quotes from Providers, the Bank of Mexico will determine the clean valuation price of that instrument using the following formula:

$$PL_{x,t} = \sum_{i=1}^k w_i^* \cdot PL_{x,t}^i \quad (1)$$

Where:

$PL_{x,t}^i$  is the price of the  $i$ -th Provider,  $W_i^*$  are random weighted factors with values between 0 and 1, generated with a uniform distribution and

Where:

$$w_i^* = \frac{w_i}{\sum_{i=1}^k w_i}$$

For each instrument, on each valuation date, new weighted factors must be determined. In this case the dirty prices will be calculated using the same weighted factors as for clean prices.

- b) If there is no information from any Provider for instrument x on the valuation date, the Bank of Mexico will determine the clean and dirty valuation prices of that instrument repeating the value of the previous day.

## **2. Procedure for valuing Government Securities and monetary regulation bonds the first time they are underwritten.**

The Bank of Mexico will value the following securities when they are underwritten for the first time, using single prices or unique rates or weighted average prices or rates that result from the corresponding auction, as long as there are no Providers valuation prices for those securities:

- BONDES;
- IPAB securities;
- BREMS, and
- CETES.

## ANNEX 8

### **Agency sample in favor of the Bank of Mexico to carry out debits and credits in those accounts held by a securities depository institution due to repos for supplying liquidity to payment systems**

(CREDIT INSTITUTION LETTERHEAD)

Mexico, Federal District, \_\_\_\_\_, 20\_\_.

#### **BANCO DE MÉXICO**

Payment Systems Operation and  
Business Continuity Division  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
México, Federal District.  
P r e s e n t e.

**(Full name of the Credit Institution)** in this act grants an irrevocable special authority to the Bank of Mexico to instruct on its behalf **(Full name of securities depository institution)**, to carry out all the debits and credits in the accounts it holds for us, due to repo transactions with this Central Bank and with the securities firms authorized by this institution to act in our name on the procedure to supply liquidity to payment systems.

For such purposes, the Bank of Mexico must send the said securities depository institution the relevant instructions for the deposit of securities.

This credit institution will be responsible for the debit and credit requests that the Bank of Mexico carries out complying with the instructions that this institution sends through the “Repo Module for providing liquidity to the Payment System of Customers Service System of the Bank of Mexico”.

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

C.c.p.: **(Full name of the securities depository institution)**.  
For your information.

## ANNEX 9

### Determination of the base amount that will be used to calculate the maximum credit limits related to the payment systems

The Bank of Mexico will determine the credit limits and other parameters regarding the payment systems, for each Institution, based on the amount that results from the following formula:

$$\text{base amount} = (\alpha - \alpha e^{-\beta C} + \delta C) * U$$

Where:

$$\alpha = 2,460$$

$$\beta = 0.000735$$

$$\delta = 0.033333$$

U = UDI value on the calculation date.

C = the amount in millions of UDIs, resulting according to the following, as appropriate:

- a) Will be equal to net capital –calculated according to the general provisions in article 50 of the Credit Institutions Law– corresponding to the Commercial Bank, in case it is not part of a financial group or belongs to a financial group where only it participates as a Commercial Bank, or
- b) Will be equal to the sum of the net capitals – calculated according to the general provisions in article 50 of the Credit Institutions Law – corresponding to Commercial Banks that belong to the same financial group where two or more Commercial Banks participate.

For Commercial Banks that belong to the same financial group, the credit limits will be proportionately distributed among the Commercial Banks in that financial group, according to the net capital of each one, except if those Commercial Banks request the Bank of Mexico Directorate of the Payment Systems to establish different proportions from the one described above, using the application model attached as Appendix, duly signed by officers with authority to exercise acts of ownership. Such application must have simple and certified copies of the deed that includes the authority, as well as a copy of their official identifications attached. The said documents must be submitted at least three Banking Business Days in advance to the date when the new distribution is intended to take effect.

The Bank of Mexico will apply the limits calculated according to articles 134, 139 and 209 of these Provisions starting on the first Banking Business Day of each month. To carry out that calculation, the net capital it will consider will be the one determined according to the general provisions referred to in article 50 of the Credit Institutions

Law, corresponding to the third month immediately prior to the month concerned. Without prejudice to the foregoing, in the case of Commercial Banks:

- i) Incorporated on the month when the calculations are made, as well as the previous month, the net capital relative to the date when the resources for the incorporation were effectively provided;
- ii) Incorporated on the second month immediately prior to the one when the calculations are made, the net capital relative to the closing of the said second month will be used;
- iii) That have increased any of the items that comprise their core capital in the previous month to the one when the calculations are made, will use the net capital relative to the date when the said increase was made, and
- iv) That have increased any of the items that comprise their core capital in the second month immediately prior to the month the calculations are made for, will use the net capital relative to the closing of the said second month.

Items iii) and iv) above will be applicable as long as the Commercial Banks report the net capital used as reference to the Directorate of Financial System Information of the Bank of Mexico, the way it prescribes.

For Development Banks, the Bank of Mexico can authorize them to use a net capital of a later date than the one stated.

In case any Institution reports a negative net capital for the date of the calculation, the said capital will be considered equal to zero.

Without prejudice to the foregoing, the Bank of Mexico may decrease any of the aforementioned limits. It can also establish different limits for a specific Institution than those that correspond according to this Annex and the said items.

**APPENDIX**

**Request to modify the distribution of the maximum credit limit regarding RSP and SICAM among commercial banks belonging to the same financial group**

(INSTITUTION LETTERHEAD)

México, Federal District, \_\_\_\_\_, 20\_\_.

**BANK OF MEXICO.**

Directorate of Payment Systems  
5 de Mayo Avenue. Number 6  
Col. Centro, C.P. 06059,  
Mexico, Federal District  
P r e s e n t.

**(Full name of the Commercial Bank)** instructs irrevocably the Bank of Mexico, according to articles 134, 139, 209, as well as Annex 9 of the “Provisions applicable to the transactions of Credit Institutions and Rural Financial Institution” to distribute among them, starting on the first Banking Business Day of next month, the maximum credit limit and other parameters in the payment systems in proportion to the following percentages:

INSTITUTION TRADE NAME	PERCENTAGE
_____	_____
_____	_____
_____	_____

Sincerely,

(COMMERCIAL BANKS TRADE NAMES)

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

## ANNEX 10

### Power of attorney sample in favor of the Bank of Mexico to carry out debits and credits in those accounts held by an securities depository institution

(CREDIT INSTITUTION LETTERHEAD)

Mexico, Federal District, \_\_\_\_\_, 20\_\_.

#### **BANCO DE MÉXICO**

Central Bank Back-office Division.  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
Mexico, Federal District.  
P r e s e n t.

(Full name of the Credit Institution) in this act grants a special and irrevocable power of attorney to Bank of Mexico so the latter may instruct on its behalf to (Full name of securities depository institution), to debit and credit the accounts that it holds for us, regarding the repo transactions entered into: a) for determining the Interbank Equilibrium Interest Rate Balance in Mexican pesos; b) in the Liquidity Auctions, and c) in the procedure followed in case of insufficient financial resources to settle the amount of government securities.

For that purpose, the Bank of Mexico must send to the said securities depository institution the aforementioned instructions.

This credit institution will be responsible of the debit and credit requests that the Bank of Mexico carries out complying with the instructions that the Bank of Mexico sends to the said securities depository institution.

Sincerely,

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

C.c.p.: (Full trade name of the securities depository institution).  
For your information.  
Directorate of Payment Systems

## ANNEX 11

### Procedure for calculating the TIE

1. Let MB be the base amount determined by the Bank of Mexico; n, the number of banks that submitted bids  $(y_j, z_j)$   $j = 1, \dots, n$ , where  $y_j$  is the amount (multiple of MB) and  $z_j$  the Interest rate of the stance.

2. For each bank  $j$  homogeneous bids are built  $n_j = \frac{y_j}{MB}$  with amount MB and interest rate  $z_j$  each one.

3. Let  $X_a = (X^{(1)}, X^{(2)}, \dots, X^{(k)})$  be the interest rate vector for all the homogeneous bids ordered from the highest to the lowest. Note that  $k = \sum_{j=1}^n n_j$  be

$X_p = (X^{(k)}, X^{(k-1)}, \dots, X^{(1)})$  the interest rate vector for all the homogeneous bids ordered from the highest to the lowest. Vectors  $X_a$  and  $X_p$  represent liabilities and assets interest rates respectively.

4. Differential *dif* is added to the assets interest rates vector, and it is subtracted from the liabilities interest rates vector in order to obtain the following vectors:

$$\begin{aligned} X'_a &= (X^{(1)} + dif, X^{(2)} + dif, \dots, X^{(k)} + dif) \\ &= (X'_{a1}, X'_{a2}, \dots, X'_{ak}) \\ X'_p &= (X^{(k)} - dif, X^{(k-1)} - dif, \dots, X^{(1)} - dif) \\ &= (X'_{p1}, X'_{p2}, \dots, X'_{pk}) \end{aligned}$$

5. Let u be the number of positive components of the difference vector:

$$X'_p - X'_a = \left( (X'_{p1} - X'_{a1}), (X'_{p2} - X'_{a2}), \dots, (X'_{pk} - X'_{ak}) \right)$$

6. The TIE is calculated as the arithmetical average of interest rates  $r_1$  and  $r_2$ , where:

1.- If  $0 < u < k$

$$r_1 = \text{maximum} \{ X'_{au}, X'_{p(u+1)} \}$$

$$r_2 = \text{minimum} \{ X'_{a(u+1)}, X'_{pu} \}$$

II.- If  $u=0$

$$r_1 = X'_{a1}$$

$$r_2 = X'_{p1}$$

**ANNEX 12**

**Format for participating in the determination of the TIIE**

(CREDIT INSTITUTION LETTERHEAD)

Mexico, Federal District, \_\_\_\_\_, 20\_\_\_\_.

**BANK OF MEXICO**

Domestic Operations Division,  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
Mexico, Federal District.  
P r e s e n t.

Name of Commercial Bank: \_\_\_\_\_

Commercial Bank code in the Bank of Mexico: \_\_\_\_\_

Interest rate (percentage)	Amount quoted (millions of pesos)	Term in weeks
_____.	_____	_____

The said quote is compulsory and irrevocable and will produce the widest effects which may lawfully correspond.

Sincerely,

(Name and signature of authorized Institution officer(s))

**ANNEX 13**

**Request to participate in determining the exchange rate for liquidating liabilities  
denominated in US Dollars payable in Mexico**

(CREDIT INSTITUTION LETTERHEAD)

México, D. F., \_\_\_\_\_, 20\_\_\_\_.

**BANK OF MEXICO**

Domestic Operations Division,  
5 de Mayo Avenue, Number 6  
Col. Centro, C.P. 06059,  
México, D. F.  
P r e s e n t.

We (**Full trade name of the credit institution**), hereby express our interest in participating in determining the exchange rate for liquidating liabilities denominated in US Dollars payable in Mexico, according to the applicable provisions of the Bank of Mexico.

For that purpose, this credit institution agrees to submit itself to the aforementioned provisions, it undertakes to submit quotations when the Bank of Mexico requests them, as well as participating in the buying and selling of US Dollars referred to in the Bank of Mexico provisions, as it determines.

Sincerely,

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

## ANNEX 14

### Calculation algorithm

1. Vectors  $X_v = (X_v^{(1)}, X_v^{(2)}, \dots, X_v^{(k)})$  are built, where  $X_v^{(1)}, X_v^{(2)}, \dots, X_v^{(k)}$  are the sales exchange rates of the bids in order from lowest to highest, submitted by a  $k$  number of Institutions, and  $K_c = (X_c^{(1)}, X_c^{(2)}, \dots, X_c^{(k)})$  where  $X_c^{(1)}, X_c^{(2)}, \dots, X_c^{(k)}$  are the buying exchange rates in order from highest to lowest.
2. Let  $u$  be the number of positive components of the difference vector:

$$X_c' - X_v' = \{(X_c^{(1)} - X_v^{(1)}), (X_c^{(2)} - X_v^{(2)}), \dots, (X_c^{(k)} - X_v^{(k)})\}$$

3. The equilibrium exchange rate for each period will be calculated as the arithmetic average of the exchange rates, where:

*I.- If  $k > u > 0$*

$$s_1 = \text{maximum} \{ X_v^{(u)}, X_c^{(u+1)} \}$$

$$s_2 = \text{minimum} \{ X_v^{(u+1)}, X_c^{(u)} \}$$

*II.- If  $u=0$*

$$s_1 = X_v(1)$$

$$s_2 = X_c(1)$$

**ANNEX 15**

**Application model to participate in Liquidity Auctions**

(CREDIT INSTITUTION LETTERHEAD)

México, D.F., \_\_\_\_\_, 20 \_\_\_\_.

**BANCO DE MÉXICO**

Domestic Operations Division,  
5 de Mayo Avenue. Number 6  
Col. Centro, C.P. 06059,  
México, D. F.  
P r e s e n t.

Bidder's name: \_\_\_\_\_

Bidder's Code at the Bank of Mexico: \_\_\_\_\_

BIDS:

Interest Rate	Amount	Term
_____	million pesos	_____
_____	million pesos	_____
_____	million pesos	_____

The INTEREST RATES must be expressed up to TWO decimal places.

The stated bids are compulsory and irrevocable; they will produce the widest effects which may lawfully correspond, and involve our acceptance of each and all of the provisions applicable to Deposits Auctions and Liquidity Auctions in the "Provisions applicable to the transactions of Credit Institutions and Rural Financial Institution", as well as the terms and conditions of the public announcement dated \_\_\_\_\_, \_\_\_\_\_.

Sincerely,

(Bidder's trade name)  
(Name and signature of authorized officer(s))

NOTE: Unused spaces must be cancelled.

## ANNEX 16

### Reasons for return of checks

It is hereby stated that this document was submitted on time for payment at the Clearinghouse on (dd/mm/yyyy) and that the drawee refused payment for the following reasons:

- Insufficient funds.
- Specify other causes \_\_\_\_\_  
\_\_\_\_\_

This note serves as protest according to articles 182 and 190 of the Law of Credit Instruments and Operations.

**RETURNED**

<b>REASONS FOR RETURN</b>	
1. Insufficient funds according to our books (Art. 175).	13. It has been altered (Art. 8).
2. The drawer does not have an account with us (Art. 175).	14. It is being cashed for an amount different from its value (Art. 16).
3. Drawer's signature is missing (Art. 176).	15. The date is missing (Art. 176).
4. Drawer's signature is not like the one we have in records (Art. 194).	16. Check with the same number as another one that has already been paid (Art. 175).
5. Check number: A) Does not correspond to the checks in the checkbook given to drawer (Art. 175). B) Corresponds to a checkbook reported as lost (Art. 194).	17. It is mutilated or damaged. (Art. 75)
6. It is not held by us (Art. 175).	18. It is not able to be cleared.
7. We have a court order not to pay it (Art. 42 and subsequent).	19. Does not comply with mentions and legal requirements (Arts. 14 y 176).

8. Has been revoked and the legal term to submit is has expired (Art. 185).	20. Does not have the unconditional order to pay the money (Incorrect monetary unit) (Art. 176 section III).
9. Drawer is in a state of bankruptcy, reorganization or judicial settlement (Art. 188).	21. For reason attributable to drawee bank (Art. 184).
10. There is no continuity in the endorsements (Art. 39).	22. Cash check for a higher amount than allowed (Art. 179).
11. It was wrongfully negotiated (Arts. 179, 199, 200 and 201).	23. Allegedly forged check (Art. 175).
12. It is payable in a different currency.	<p>24. _____</p> <p>NOTE: Articles referred to belong to the Law of Credit Instruments and Operations.</p>

ANNEX 17

Agency sample in favor of the Bank of Mexico for  
clearing in Mexican pesos

(CREDIT INSTITUTION LETTERHEAD)

Mexico, Federal District, \_\_\_\_\_, 20\_\_.

**BANCO DE MÉXICO**

Payment Systems Operation and  
Business Continuity Division  
5 de Mayo Avenue. Number 6  
Col. Centro, C.P. 06059,  
México, D.F.  
P r e s e n t.

**(Full trade name of institution)** authorizes and instructs the Bank of Mexico to debit and credit, as appropriate, the *Sole Account* in Mexican pesos that it holds for us, up to the amount resulting from clearing to our debit or our credit, based on the information provided in our behalf by **(Full trade name of the respective Clearinghouse)**.

Likewise, this Central Bank is authorized and instructed to carry out debits and credits, as appropriate, in the said *Sole Account*, up to the amounts that need to be executed from the credit lines that we grant or receive, respectively, from other institutions for clearing.

The authorizations and instructions referred to in this document, can only be modified or revoked through written notice addressed to the Directorate of Payment Systems and submitted at least one Banking Business Day before the date when the modification or revocation is intended to come into effect.

Sincerely,

(Name, signature and position of the Institution officer(s)  
with authority to exercise acts of ownership)

C.c.p. **(Full trade name of the respective Clearinghouse)**.  
For your information.

## ANNEX 18

### Transactions in Foreign Currency that must not be included in the calculation of the Exchange Risk Position

The following Foreign Currency transactions must not be included in the calculations of the Exchange Risk Position:

#### For Credit Institutions

1. Other accounts receivable (account 1400 00 00), except transaction liquidation debtors (account 1401 01 00).
2. Foreclosed assets (account 1500 00 00).
3. Property, furniture and equipment (account 1600 00 00).
4. Permanent investments in shares (account 1700 00 00).
5. Deferred taxes (credit) (account 1800 00 00).
6. Other assets (account 1900 00 00).
7. Income tax and employee profit sharing payable (account 2401 00 00).
8. Other liabilities derived from banking services (account 2402 01 90).
9. Commissions and premium income receivable for valid transactions (account 2402 03 0).
10. Providers financing (account 2402 04 00).
11. Dividends to be paid (account 2402 05 00).
12. Maintenance (account 2402 06 00).
13. Value added tax (account 2402 07 00).
14. Other taxes and duties payable borne by the institution (account 2402 08 00).
15. Taxes and social security contributions withheld to be declared (account 2402 09 00).
16. Provisions for labor obligations upon retirement (account 2402 10 00).
17. Additional obligations for labor benefits upon retirement (account 2402 11 00).
18. Provisions for miscellaneous obligations (account 2402 12 00).

19. Subordinated debentures of mandatory conversion (account 2701 01 00) and banking capitalization instruments of mandatory conversion.
20. Deferred taxes (charged) (account 2800 00 00).
21. Deferred credits (account 2900 00 00).
22. Accrued interests, not charged or not paid, as appropriate, not considered in the book value referred to in article 19 of these Provisions.
23. Transactions or any of their items, referred to precious metals or any underlying that is not “financial”.

Additionally, the following transactions must not compute:

**For Commercial Banks**

1. Other creditors.
2. Irrevocable commercial credits, relating to transactions where a Commercial Bank confirms letters of credit issued by financial entities abroad with Rating for Liquidity Requirement.
3. Credits subject to the participation model of cash flow from commercial loans with the Institute for the Protection of Banking Savings (IPAB).
4. Liabilities for flows to be delivered by the “EPF” (Account 2172 00 00).

**For Development Banks**

1. Credits granted as Federal Government agent (account 1331 00 00).
2. Loans as Federal Government agent (account 2160 00 00).

## ANNEX 19

### Determination of factors that must be applied according to liabilities days due and the second degree polynomial

1. Factors that must be applied according to the liabilities days due.

Days due	Factor
1	0.5000
2	0.48319
3	0.46668
4	0.45045
5	0.43450
6	0.41885
7	0.40348
8	0.38839
9	0.37360
10	0.35909
11	0.34487
12	0.33094
13	0.31729
14	0.30394
15	0.29086
16	0.27808
17	0.26558
18	0.25338
19	0.24145
20	0.22982
21	0.21847
22	0.20741
23	0.19664
24	0.18615
25	0.17596
26	0.16604
27	0.15642
28	0.14708
29	0.13804
30	0.12927
31	0.12080
32	0.11261
33	0.10471

Days due	Factor
34	0.09710
35	0.08977
36	0.08274
37	0.07598
38	0.06952
39	0.06334
40	0.05745
41	0.05185
42	0.04654
43	0.04151
44	0.03677
45	0.03232
46	0.02815
47	0.02427
48	0.02068
49	0.01738
50	0.01436
51	0.01163
52	0.00919
53	0.00704
54	0.00517
55	0.00359
56	0.00230
57	0.00129
58	0.00057
59	0.00014
60	0.00000

2. Second Degree Polynomial used to find the aforementioned factors:

$a_0$	$a_1$	$a_2$
0.517092789	-0.017236426	0.000143637
$F(x) = a_0 + a_1x + a_2x^2$		

Where:

$x$  = number of days due, for  $X = 1, 2, \dots, 60$

$F(x)$  = factor for day  $x$

## ANNEX 20

### Period calendar for calculating missing Liquid Assets

Starting date of the Period	Final date of the Period
June 7, 2012	July 4, 2012
July 5, 2012	August 1, 2012
August 2, 2012	August 29, 2012
August 30, 2012	September 26, 2012
September 27, 2012	October 24, 2012
October 25, 2012	November 21, 2012
November 22, 2012	December 19, 2012
December 20, 2012	January 16, 2013
January 17, 2013	February 13, 2013
February 14, 2013	March 13, 2013
March 14, 2013	April 10, 2013
April 11, 2013	May 8, 2013
May 9, 2013	June 5, 2013
June 6, 2013	July 3, 2013
July 4, 2013	July 31, 2013
August 1, 2013	August 28, 2013
August 29, 2013	September 25, 2013
September 26, 2013	October 23, 2013
October 24, 2013	November 20, 2013
November 21, 2013	December 18, 2013
December 19, 2013	January 15, 2014

## ANNEX 21

### Classification of checking accounts in Foreign Currency

For the purposes of liabilities admission and investment regimes and of the Transactions in Foreign Currency, checking accounts in Foreign Currency will be classified according to the following:

- a) Their amount will be classified in three parts:

#### PART 1

$$P1 = \frac{PMAC1}{PMACt} * SDCt$$

Where:

- P1*= PART 1 of the accounts, for the Day being calculated.
- PMAC1*= Sum of the accounts, in monthly average of daily balances, that in the previous month to the Day when they are being calculated had an interest rate equal or less than fifty per cent of the LIBOR RATE.
- PMACt*= Total amount of the accounts, in monthly average of daily balances, recorded on the previous month to the Day when they are being calculated.
- SDCt*= Balance, on the Day being calculated, of the total of accounts.

#### PART 2

$$P2 = \frac{PMAC2}{PMACt} * SDCt$$

Where:

- P2*= PART 2 of the accounts, for the Day being calculated.
- PMAC2*= Sum of the accounts, in monthly average of daily balances, that in the previous month to the Day being calculated accrued an interest rate greater than fifty per cent but not greater than seventy five per cent of the LIBOR RATE.

*PMAC<sub>t</sub>*= Total amount of the accounts, in monthly average of daily balances, recorded on the previous month to the Day that is being calculated.

*SDC<sub>t</sub>*= Balance, on the Day being calculated, of all the accounts.

### **PART 3**

$$P3 = \frac{PMAC3}{PMACt} * SDCt$$

Where:

*P3*= PART 3 of the accounts, for the Day being calculated.

*PMAC3*= Total amount of the accounts, in monthly average of daily balances, that on the previous month to the Day when they are being calculated accrued an interest rate greater than seventy five per cent of the LIBOR RATE.

*PMAC<sub>t</sub>*= Total amount of the accounts, in monthly average of daily balances, recorded on the previous month to the Day being calculated.

*SDC<sub>t</sub>*= Balance, on the Day being calculated, of all the accounts.

- b) PART 1 will be divided by 60 and the resulting amount will compute for each one of the Days from 1 to 60, PART 2 will be divided by 30 and the resulting amount will compute for each one of Days 1 to 30, and PART 3 will compute for 1 Day.

For these purposes, the LIBOR RATE will be the monthly average of the month previous to the Day being calculated, of the annual rate offered in the interbank US Dollars market in London, England, for three month deposits, released by Reuters at 11:00 o'clock, London time. For the calculation of the said monthly average, the rate corresponding to each Day of the aforementioned month previous to the Day being calculated and for the non-Banking Business Days the rate for the previous Banking Business Day will apply.

## **ANNEX 22**

### **Foreign Currency transactions that must not be included in the calculations of the liabilities admission and investment regimes for Foreign Currency transactions**

The following must not be included in the calculations of the limits of liabilities admission and investment regime for Transactions in Foreign Currency:

#### **For Credit Institutions**

1. Other accounts receivable (account 1400 00 00), except transaction liquidation debtors (account 1401 01 00).
2. Foreclosed assets (account 1500 00 00).
3. Property, furniture and equipment (account 1600 00 00).
4. Permanent investments in shares (account 1700 00 00).
5. Deferred taxes (credit) (account 1800 00 00).
6. Other assets (account 1900 00 00).
7. Income tax and employee profit sharing payable (account 2401 00 00).
8. Other liabilities derived from banking services (account 2402 01 90).
9. Commissions and premium income receivable for valid transactions (account 2402 03 0).
10. Suppliers financing (account 2402 04 00).
11. Dividends to be paid (account 2402 05 00).
12. Maintenance (account 2402 06 00).
13. Value added tax (account 2402 07 00).
14. Other taxes and duties payable borne by the institution (account 2402 08 00).
15. Taxes and social security contributions withheld to be declared (account 2402 09 00).
16. Provisions for labor obligations upon retirement (account 2402 10 00).
17. Additional obligations for labor obligations upon retirement (account 2402 11 00).
18. Provisions for miscellaneous obligations (account 2402 12 00).

19. Subordinated debentures of mandatory conversion (account 2701 01 00) and banking capitalization instruments of mandatory conversion.
20. Deferred taxes (charged) (account 2800 00 00).
21. Deferred credits (account 2900 00 00).
22. Accrued interests, not charged or not paid, as appropriate, not considered in the book value stated in article 19 of these Provisions.
23. Transactions or any of their parts, referred to precious metals or to any underlying that is not "financial".

Additionally, the following transactions must not compute:

**For Commercial Banks**

1. Credits with D and E ratings.
2. Overdue receivables (account 1350 00 00).
3. Allowance for loan losses (account 1390 00 00), in the part corresponding to the portfolio stated in points 1 and 2 above.
4. Transactions between the institution and its agencies and branches abroad, between those agencies and branches, between the institution and subsidiary financial entities that are included according to Section II of Chapter I, between the latter, and between these and the mentioned agencies and branches.
5. Other creditors.
6. Irrevocable commercial credit, related to the transactions where some institution confirms letters of credit issued by financial entities abroad with Rating for Liquidity Requirement.
7. Credits subject to the participation model of cash flow from commercial loans with the Institute for the Protection of Banking Savings (IPAB).
8. Liabilities for flows to be delivered by the "EPF" (account 2172 00 00).
9. Amount in US Dollars, assigned as a result of the participation of these institutions in the credit in US Dollars auctions held by the Bank of Mexico, under Circular 8/2009 dated April 15, 2009.

### **For Development Banks**

1. Credits granted as Federal Government agent (account 1331 00 00).
2. Loans as Federal Government agent (account 2160 00 00).

**NOTE.-** Accounts listed were taken from the last catalogue of the National Banking and Securities Commission where the said Commission established the numbers for their identification.

## ANNEX 23

### Liabilities classification

Liabilities in Mexican pesos and foreign currency, among others, that Commercial Banks are allowed to enter into, are listed below:

#### GROUP I

- 2101      Checking accounts, except sub-accounts 2101010201, 2101010202 and 2101020201, relative to cash from the collection of contributions, checks drawn against the Commercial Bank itself from collection of contributions and checks drawn on other Commercial Banks from collection of contributions, respectively.
- 2102      Savings accounts.
- 2103      Deposits able to be withdrawn on preset days.
- 2104      Fixed-term deposits.
- 2106      Outstanding bank bonds.
- 2109      Promissory notes with yield payable at maturity.
- 2116      Term deposits in special savings personal accounts.
- 2120      Outstanding subordinated debentures.
- 2121      Mexican pesos subordinated debentures.
- 2134      Checking accounts in US Dollars.
- 2136      Demand deposits in interest bearing current accounts.
- 2138      Deposits from companies and individuals residing abroad, received by institutions' branches abroad.
- 2305      Bank acceptances on account of its customers.
- 6403      Responsibilities per grantor.

#### GROUP II

- 2101      Checking accounts, exclusively sub-accounts 2101010201, 2101010202 and 2101020201, relating to cash from collection of contributions, checks drawn on

the Commercial Bank itself from collection of contributions, and checks drawn on other Commercial Banks from collection of contributions, respectively.

- 2108 Deposits without fixed term to withdraw.
- 2141 Checking account trust with participation in portfolio flows with Fobaproa.
- 2301 Cashier' checks.
- 2302 Certified checks.
- 2303 Letters of credit.
- 2304 Outstanding money orders.
- 2308 Escrow accounts.
- 2309 Creditors by interest.
- 2310 Creditors by obligations due.
- 2311 Sundry creditors.
- 2312 Deposits and obligations not subjects to investment.
- 2314 Deposits for amortization and interests services.
- 2315 Outstanding IVA.
- 2316 Tax revenues and similar.
- 2317 Deposits to invest in account of third parties.
- 2318 Traveler's checks in Mexican pesos.
- 2319 Federal Government loans.
- 2321 Deposits from ISSSTE related to the Retirement Savings System (SAR).
- 2324 Deposits for Fovissste credit amortizations.
- 2327 Dividends and interest coupons on securities to be delivered, received on loan.
- 2329 Loans from insurance companies.
- 2330 Creditors by settlement of transactions.
- 2331 Premium income receivable in securities loan transactions.
- 2332 IMSS collections and INFONAVIT contributions.

**GROUP III**

- 2201 Bank deposits on installments.
- 2202 Bank loans.
- 2203 Bank deposits and loans abroad.
- Credit balances in asset accounts:
- 1103 Banks.  
05 abroad (credit balance that results after individually clearing the remittances in transit against foreign banks).
- 1107 Correspondents, abroad, (credit balance resulting after individual compensation of debit balances and remittances in transit with each correspondent).

**GROUP IV**

- 2409 Creditors by repurchase of government securities.

**GROUP V**

- 2306 Loans from public fiduciary funds.
- 2313 Dividends declared.
- 2401 Futures to be delivered.
- 2410 Repurchases, government securities to be delivered.
- 2411 Creditors of repo transactions of bank securities.
- 2412 Repo transactions – bank securities to be delivered.
- 2413 Creditors of repo transactions of own securities.
- 2501 Provisions for labor obligations upon retirement.
- 2503 Provisions for miscellaneous obligations.
- 2505 Preventive provisions for credit risks.
- 6404 Responsibilities for guarantee deposits.
- 6405 Irrevocable commercial credits granted.

Other accounts: “Stand-by” letters of credit and bank guarantees, issued based on opening irrevocable credits, referred to in the Rules and Uniform Uses Related to Documentary Credits, publication N° 500, as well as the Uniform Rules for Demand Guarantees, publication N° 458, the Uniform Rules for Contractual Guarantees, publication N° 325 and the 1998 Standby International Practices, publication N° 590, of the International Chamber of Commerce.<sup>1</sup>

6406 Ongoing complaints.

Accounts in group 26 of the Accounts Catalogue approved by the National Banking and Securities Commission.

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<sup>1</sup> Regardless of the account where they are registered.

## **TRANSITORY PROVISIONS**

**FIRST.** This Circular will take effect on June 1<sup>st</sup>, 2012.

**SECOND.** From the moment it takes effect the following provisions are abrogated:

- I. Circular 2019/95 dated September 20, 1995 addressed to Commercial Banks;
- II. Provisions applicable to determining the exchange rate for liquidating liabilities in foreign currency payable in Mexico, published in the Official Diary of the Federation on March 22, 1996.
- III. Circular 1/2006 dated January 27, 2006 addressed to Development Banks and Rural Financial Institution.
- IV. Circular 23/2008 that contains the “General provisions referred to in article 179 of the Law of Credit Instruments and Operations, to determine from which amount on checks must be nominative”, published in the Official Diary of the Federation on June 3, 2008;
- V. Circular 25/2008 that contains the “General provisions for transferring salaries, pensions and other labor benefits according to article 18 of the Transparency and Financial Services Arrangement Law”, published in the Official Diary of the Federation on June 11, 2008; and
- VI. Circular 23/2009 that contains the “Rules for Direct Debit in deposit accounts”, published in the Official Diary of the Federation on September 22, 2009.

**THIRD.** Institutions can open and keep until February 15, 2013 accounts where the sum of the credits during one calendar month does not exceed the equivalent of one thousand five hundred UDIS in Mexican pesos, as long as they fulfill the opening requirements for these accounts in the “General provisions in article 115 of the Credit Institutions Law” issued by the Secretariat of Finance and Public Credit, published in the Official Diary of the Federation on April 20, 2009. The aforementioned accounts will be for use in the national territory only according to section III of article 20 of these Provisions. Except for what the previous paragraph states, the provisions related to level 2 accounts will be applicable to these accounts.

**FOURTH.** The contracts documenting the transaction of the *Sole Account* in Mexican pesos, the services provided by SIAC-BANXICO; the deposit of securities in administration, the transactions derived from the liquidity auctions to the participants in the payment systems, the repo transactions to provide liquidity to the payment systems, as well as the transactions related to the procedure for determining the interbank interest equilibrium rate balance in Mexican pesos, carried out before the entry into force of these Provisions, will still be valid and in full force in all their stipulations, so it will not be necessary to sign new contracts due to what this Circular states.

Due to the aforementioned, references to Circulars 2019/95 and 1/2006 foreseen in the said contracts, shall be construed as references to these Provisions.

**FIFTH.** Credit Institutions that starting on June 1 of the present year wish to keep doing or to start doing the following activities: a) settle transactions with CLS Bank International; b) enter into repo transactions to provide liquidity to payment systems; c) enter into repo transactions related to the procedure for determining the TIIE; d) enter into repo transactions related to liquidity auctions; e) enter into repo transactions to settle Government Securities assigned to the auctions stated in article 145; f) participate in Documents compensation, and g) modify the distribution of the maximum credit limit granted to commercial banks that comprise one financial group related to RSP and SICAM; must submit to the Bank of Mexico on May 18, 2012 at the latest, the corresponding powers of attorney in accordance with the samples attached to these Provisions as Annexes 6, 8, Appendix of Annex 9, 10 and 17 of these Provisions.

Such powers of attorney must be signed by those who have powers to carry out acts of ownership and must have attached certified and simple copies of the deeds containing their powers, as well as a copy of their official identifications.

Credit institutions that have not submitted to the Bank of Mexico the relevant powers of attorney and the corresponding documents on May 18, 2012 at the latest, cannot carry out the activities concerned until they have done so according to these Provisions.

**SIXTH.** The authorizations that had been granted before these Provisions entered into force given by the Bank of Mexico to Institutions in order to operate as Clearinghouses, will continue to be valid.