

COMPILED TEXT OF THE RULES TO WHICH CREDIT INSTITUTIONS, SECURITIES FIRMS; INVESTMENT COMPANIES; RETIREMENT FUND MANAGEMENT COMPANIES, AND THE RURAL FINANCIAL INSTITUTION SHALL BE SUBJECT TO IN THEIR REPURCHASE AGREEMENTS (REPO TRANSACTIONS). (Published on January 12, 2007 and their amendments made known through the Resolution of September 18, 2007, Circular 55/2008 of November 6, 2008, Circular 11/2009 of May 8, 2009, Circular 15/2009 of June 15, 2009, Circular 19/2009 of August 31, 2009 and Circular 33/2010 of November 10, 2010)

The Bank of Mexico, on the grounds of articles 28 of the Political Constitution of the United Mexican States, paragraphs sixth and seventh, 24, 26, 27 and 36 of the Law of the Bank of Mexico; 53 section II, 54, 106 sections II, XV Bis and penultimate paragraph of the Credit Institutions Law; 176 of the Securities Market Law; 15 second paragraph of the Investment Companies Law; 48 section VI of the Retirement Savings Systems Law, 19 and 49 of the Organizational Law of the Rural Financial Institution, as well as articles 8th paragraphs third and fourth, 10, 14 in relation to 25 section II which vest on the Directorate General of Analysis of the Financial System the powers to participate in the issuance of provisions, 17 section I and 19 section IX of the Internal Regulations of the Bank of Mexico, as well as the Sole Provision of the Order for the Assignment of the Administrative Units of the Bank of Mexico, with the goal of promoting a healthy development of the financial system and considering it convenient to amend the regulation concerning Repurchase agreements, in order to:

- a) expand the universe of Financial Entities from Abroad with which the Entities may perform such operations, eliminating the minimum rating requirement for debt issued by such Financial Entities from Abroad:
- b) update the "Rules to which credit institutions; securities firms; investment companies, retirement fund management companies, and the Rural Financial Institution shall be subject to in their repurchase (repo) agreements " contained in Circular 1/2003, with the provisions of the Securities Market Law, and
- c) compile in a single regulation the various amendments that the Central Institute has carried out to the aforementioned Circular 1/2003, in order to facilitate its consultation.

has decided to issue the following:

RULES TO WHICH CREDIT INSTITUTIONS, SECURITIES FIRMS; INVESTMENT COMPANIES; RETIREMENT FUND MANAGEMENT COMPANIES, AND THE RURAL FINANCIAL INSTITUTION SHALL BE SUBJECT TO IN THEIR REPURCHASE AGREEMENTS (REPO TRANSACTIONS)

1. DEFINITIONS

For purposes of these Rules it shall be understood as:

Authority (ies): the National Banking and Securities Commission, the National Retirement Savings System Commission and the Bank of Mexico.

Savings Protection Bonds (BPAS): the securities issued by the Institute for the Protection of Banking Savings, with regard to which the Bank of Mexico acts as a financial agent for the issue, placement, purchase and sale, in the national market registered in the National Registry of Securities (RNV).

BREMS: Monetary Regulation Bonds issued by the Bank of Mexico registered in the RNV.

Securities Firms: the corporate entities authorized to operate as such under the terms of the Securities Market Law.

Securities Depository: the entities authorized to act as such that are established in Mexico or in any of the Countries of Reference.

Foreign Currency: dollars of the U.S., and any other foreign currency that is freely transferable and immediately convertible into said currency.

Entity: Credit Institutions, Securities Firms, Investment Companies, *Siefores* and the Financial Rural Institution.

Financial Entities from Abroad: those financial entities domiciled abroad. (Amended by Resolution of September 18, 2007)

Rural Financial Institution: the decentralized agency of the Federal Public Administration, ascribed to the Secretariat of Finance and Public Credit, having legal capacity of its own and separate assets and liabilities, regulated by the Organizational Law of the Rural Financial Institution.

Credit Institutions: the corporate entities that have the capacity of commercial banks or development banks, in the terms set forth in the Credit Institutions Law.

Institutional Investors and Qualified Investors: the persons that have such capacity in the terms set forth in the Securities Market Law, other than Investment Companies and *Siefores*.

Countries of Reference: those countries belonging to the Technical Committee of the International Organization of Securities Commissions and those that are part of the European Union.

Repo transactions: in the terms set forth in article 259 of the Law of Credit Instruments and Operations, the transaction whereby, the Buying Party acquires for a sum of money, the ownership of securities and undertakes to transfer to the Selling Party the ownership of similar securities within the agreed-upon term and

upon payment of the same price plus a premium. The premium remains for the benefit of the Buying Party unless otherwise agreed. Similar securities shall be those securities having the same "issue code".

Siefores: retirement fund management companies established in the Retirement Savings Systems Law.

Investment Companies: the investment companies investing in debt securities, variable income securities, limited scope securities and venture capital securities, established in the Investment Companies Law.

Publicly Traded Securities: any debt security with a secondary market –except subordinated debentures, other subordinated securities and Structured Securities– that: a) is registered in the RNV, or otherwise, when it is issued abroad, that is registered, authorized or regulated, for its sale to the general public, by Securities Commissions or equivalent organizations of the Countries of Reference, and b) is not included in any other of the definitions of these Rules. (Amended by Circular 55/2008 and by Circular 19/2009)

Bank Securities: debt securities with a secondary market registered in the RNV issued, accepted, secured or guaranteed by Credit Institutions, except: a) subordinated debentures; b) other subordinated securities, and c) Structured Securities.

Structured Securities: securities that are not Government Securities, which return is determined by the variations in the prices of financial assets or of derivatives operations on financial assets, such as those established in numeral M.11.7 Bis of Circular 2019/95 of the Bank of Mexico.

Securities for International Arbitration Transactions: securities registered in the RNV which, pursuant to the provisions issued by the National Banking and Securities Commission, are subject to operations known as international arbitration transactions, and which are not included in any of the other definitions of these Rules.

UDIS: the investment units referred in the Decree establishing the obligations that may be denominated in Investment Units and amends and makes additions to several provisions of the Federal Tax Code and the Income Tax Law published in the Official Gazette of the Federation on April 1st, 1995.

Securities: Bank Securities, Government Securities, Foreign Securities, *BPAS*, *BREMS*, Securities for International Arbitration Transactions and Publicly Traded Securities.

Foreign Securities: debt securities with a secondary market, except subordinated debentures, other subordinated securities and Structured Securities, that are issued, accepted, secured or guaranteed by international financial institutions, central banks and governments of the Countries of Reference other than Mexico

and Financial Entities from Abroad. Such securities shall be registered, authorized or regulated, for their sale to the general public by securities commissions or equivalent organizations of the Countries of Reference. (Modified by Circular 55/2008 and by Circular 33/2010)

Government Securities: Securities registered in the RNV issued or guaranteed by the Federal Government of the United Mexican States, except: Certificates of the Federal Treasury issued by the Federal Government of the United Mexican States, denominated in domestic currency (*Cetes*) issued according to restructuring programs for credits in UDIS (*Special Cetes*), as well as any other that is non-negotiable or that does not have a secondary market.

2. OPERATIONS AND AUTHORIZED COUNTERPARTIES

2.1 Credit Institutions and Securities Firms may act as Selling Parties with any person.

Whenever they act as Selling Parties with other entities of the same financial group to which they belong, with Qualified Investors or with individuals with regard to Publicly Traded Securities or Foreign Instruments, the securities subject matter of the Repo transaction, as it corresponds to its term, shall have the minimum rating of at least to rating companies, pursuant to the following:

	Scale	Standard & Poor's	Moody's	Fitch	HR Ratings
Short Term	Local Mexico	mxA-3	MX-3	F3 (mex)	HR 3
	Global	A-3	3	F3	HR 3 (G)
Long Term	Local Mexico	mxAA-	Aa3.mx	AA- (mex)	HR AA-
	Global	AA-	Aa3	AA-	HR AA- (G)

Publicly Traded Securities having payment guarantee or third-party guarantee of the Federal Mortgage Corporation (*Sociedad Hipotecaria Federal, S.N.C.*), of at least 65% of their outstanding balance regarding principal and ordinary interest, may be subject to Repo transactions in which the Credit Institutions and the Securities Firms act as Selling Parties with other entities of the same financial group to which they belong, with Qualified Investors or with individuals, without being rated.

Additionally, Credit Institutions and Securities Firms may act as Buying Parties exclusively with the Bank of Mexico, with other Credit Institutions and Securities Firms, as well as with Financial Entities from Abroad.

The Repo transactions with Securities entered into by Credit Institutions may be carried out without the intermediation of Securities Firms. Transactions with Foreign Securities not registered in the National Registry of Securities shall comply with the applicable regulations in intermediation matters.

(Modified by Circular 33/2010)

2.2 Investment Companies may only act as Buying Parties and may only operate with Credit Institutions and Securities Firms.

2.3 *Siefores* may only act as Buying Parties and may only operate with Credit Institutions, Securities Firms and Financial Entities from Abroad that comply with the requirements determined for such purpose by the National Retirement Savings System Commission through general provisions.

2.4 The Financial Rural Institution (*Financiera Rural*) may only act as Buying Party with the Bank of Mexico, Credit Institutions, Securities Firms and Financial Entities from Abroad.

3. SECURITIES SUBJECT TO REPURCHASE AGREEMENTS

3.1 Credit Institutions and the Financial Rural Institution (*Financiera Rural*) may enter into Repo transactions with Securities, other than Securities for International Arbitration Transactions.

3.2 Securities Firms may enter into Repo transactions with Securities.

3.3 Investment Companies and *Siefores* may enter into Repo transactions with the Securities permitted by their laws and by the regulations arising therefrom, provided that they are established in their investment regime.

4. TERMS

4.1 The parties may freely agree the term for the Repo transactions, except for the provisions in items 4.2 and 4.3.

4.2 The term for Repo transactions, including their extensions, shall expire on the previous business day to the maturity date of the Securities subject matter of the transaction in question.

4.3 In the event of Repo transactions entered with Securities for International Arbitration Transactions, the term for such Repo transactions may not exceed 4 business days.

5. SETTLEMENT OF THE TRANSACTIONS

5.1 In Repo transactions, the transfer of the Securities and of the respective funds shall be carried out on the same value date, which may not be after the fourth business day immediately following the date that the corresponding transaction

was entered into.

Upon maturity of the Repo transactions such transfer shall be carried out on the maturity date.

5.2 Repo transactions may be settled in advance pursuant to the terms of the framework agreement under which the corresponding transactions are implemented.

6. PRICE AND PREMIUM

6.1 The price and the premium of the Repo transactions may be freely denominated in Mexican Currency, Foreign Currency or in UDIs, regardless of the denomination of the Securities subject matter of the operation.

(Amended by Circular 19/2009)

In case of Repo transactions with persons other than Entities in which the currency in which the price and the premium is denominated is different to that of the Securities subject matter of the transaction, the Entities shall be responsible of keeping evidence of the consent of the counterparty to enter the operations in such terms.

(Added by Circular 19/2009)

6.2 In Repo transactions all the calculations shall be made with the commercial year formula of three hundred and sixty days and the number of days currently elapsed.

7. INTEREST ON SECURITIES

7.1 Interest accrued by Securities if any, shall be paid to the persons that appear as holders of such Securities in the registries of the Securities Depository, at the closing of operations of the immediately preceding banking business day before the expiration of each interest period.

7.2 Unless otherwise agreed, the Buying Party shall deliver to the Selling Party the interest paid by the issuer corresponding to the Securities subject matter of the Repo transaction, on the same date that they are received.

8. IMPLEMENTATION AND CONFIRMATION

8.1 The Repo transactions between Entities and with Institutional Investors shall be performed under the sole framework agreement jointly approved for such transactions by the Mexican Bankers' Association [*Asociación de Bancos de México*,

A.C.] and by the Mexican Securities Intermediaries Association, A.C. [Asociación Mexicana de Intermediarios Bursátiles, A.C.]

The aforementioned framework agreement shall include the guidelines and directives that are established in the contracts approved for this type of transactions by the "International Securities Market Association" (ISMA), the "Public Securities Association" or the "Bond Market Association", in matters that do not contravene the applicable national regulations.

Furthermore, in said agreement the obligation of the parties to guarantee the Repo transactions entered in terms exceeding three banking business days as of the date such transactions are entered into shall be agreed, including extensions, whenever fluctuations occur in the value of the securities subject matter of such transactions, causing an increase in the "net exposure" which exceeds the maximum amount agreed by the parties. The aforementioned guarantees may be created through a pledge, securities pledge, guarantee trust or administration and payment trust, or by the creation of a cash bank deposit. Whenever Institutional Investors participate in Repo transactions and such investors are insurance companies or bonding companies, they may only ensure compliance of the Repo transactions through administration and payment trusts.

Repo transactions entered into by Entities with Financial Entities from Abroad may be performed, in terms of the applicable regulations, under the framework agreement referred to in the first paragraph of this numeral or under the contracts approved to such end by the International Securities Market Association, the Public Securities Association or the Bond Market Association.

Repo transactions entered into by Entities with clients other than those indicated in the first and fourth paragraphs of this numeral shall be performed under the framework agreements established with them.

For purposes of the agreements mentioned in paragraphs first; fourth and fifth, the Entities may give as collateral instruments or securities of their portfolio, creditor's claims on their favor or cash, as applicable.

In any case, the parties shall enter in writing, into the aforementioned framework agreements, prior to entering into any Repo transaction. The Entities shall be responsible that the transactions entered into and the aforesaid agreements strictly abide by these Rules, as well as by other applicable regulations.

The entering into of Repo transactions and if applicable, that of the other actions that are performed by virtue of such transactions, shall be carried out through any of the procedures established in the framework agreements.

8.2 In case of transactions between Entities, with Financial Entities from Abroad and with Institutional Investors, the transactions shall be confirmed on the same day they are entered into through any means, including electronic means, that provide documentary evidence of the entering into of the corresponding

transaction. Whenever the transactions between Entities are settled through Securities Depositories, the records of the transaction shall serve as documentary evidence of the confirmation.

Whenever the transactions are carried out with clients other than those indicated in the preceding paragraph, the Entities shall issue on the same day they entered into the transaction, a receipt through any means providing documentary evidence, including electronic means, of the entering into of the relevant transaction, which they shall keep at the client's disposal or send it to him in case such client so requests it.

The aforementioned confirmation or the respective receipt shall establish the Selling Party, the Buying Party, the price, premium and term of the Repo transaction, as well as the specific characteristics of the Securities subject matter of such Repo transaction such as: issuer; issue code; par value; type of Security and if applicable the unconditional guarantor, acceptor or guarantor of the Securities.

Whenever the parties agree the settlement in advance of any Repo transactions, and the terms and conditions in which it shall be performed have not been established in the respective framework agreement, said terms and conditions shall be agreed upon at the time of entering into such settlement. Said arrangement shall be carried out through any of the procedures established in the framework agreement for the entering into of Repo transactions and the corresponding confirmation or receipt shall be issued according to the provisions of this numeral.

In any event, the Entities shall make the registrations that correspond to the different actions that are carried out by virtue of the Repo transactions that they enter into, on the same date when such actions are entered into.

8.3 The Securities subject matter of Repo transactions shall be deposited in a Securities Depository at all times.

9. PROHIBITIONS

9.1 Credit Institutions may not act as Selling Parties or Buying Parties of the Bank Securities that they issue, accept, secure or guarantee.

9.2 (Repealed by Circular 33/2010).

9.3 Entities shall refrain from performing Repo transactions under conditions and terms contrary to their policies and to sound market practices.

9.4 Credit Institutions and Securities Firms that do not have the authorization to enter into Future, Option or Swap Operations, on real or nominal interest rates under the applicable provisions, shall be prohibited from performing Repo

transactions in the capacity as Selling Parties on: a) Securities at a fixed rate and which maturity term exceeds one calendar year, and b) Securities with a revisable rate on a periodical basis which term, between the dates in which the revision is carried out, exceeds a calendar year.

9.5 Securities firms shall be prohibited from performing Repo transactions on Securities for International Arbitration Transactions, whenever such transactions are not related to an operation of those known as international arbitration transactions and regulated by the National Banking and Securities Commission.

9.6 Entities may not carry out Repo transactions in terms other than those established in these Rules. The foregoing regardless that, in exceptional cases, the Bank of Mexico through the Authorizations, Consultations and Legal Control Division may authorize the entering into of Repo transactions with other characteristics or on commercial instruments other than those mentioned in this Circular.

10. INFORMATION

The Entities shall provide to the Authorities in the terms set forth in the applicable regulations, the information on the Repo transactions that they perform, in the manner and time periods that such authorities require.

The Entities shall send to S. D. Indeval, S. A. de C. V., Securities Depository Institution on the same day of their entering into, and in the terms so indicated by it, the information concerning the Repo transactions entered with other Entities and with the Bank of Mexico, that are settled through such Securities Depository.

11. PENALTIES

11.1 The Credit Institutions and the Securities Firms that fail to comply with the provisions contained in these Rules shall be penalized by the Bank of Mexico as provided in the applicable laws.

11.2 The Siefors that fail to comply with the provisions contained in these Rules, shall be penalized by the National Retirement Savings System Commission pursuant to the Retirement Savings Systems Law.

11.3 The Investment Companies that fail to comply with the provisions contained in these Rules, shall be penalized by the National Banking and Securities Commission pursuant to the Investment Companies Law.

11.4 The non-performance of the Rural Financial Institution of the provisions contained in these Rules shall be penalized by the National Banking and Securities Commission pursuant to the Organizational Law of the Financial Rural Institution.

EXHIBIT 1

(Repealed by Circular 33/2010)

EXHIBIT 2

(Repealed by Circular 33/2010)

EXHIBIT 3

(Repealed by Circular 33/2010)

TRANSITORY ARTICLES

FIRST.- These Rules shall become effective on January 18, 2007.

SECOND.- As of the entering into effect of these Rules the "Rules to which credit institutions; securities firms; investment companies; retirement fund management companies and the Rural Financial Institution shall be subject to in their repurchase (repo) agreements", contained in Circular 1/2003 dated August 6, 2003, shall be repealed, as well as their amendments.

Mexico, Federal District, January 12, 2007.