

**MexDer**

Mercado Mexicano de Derivados

**FIA**

*International Futures  
Industry Conference*

**Boca 07**

**MexDer**  
Mexican Derivatives Exchange

March, 2007



# MexDer in 2006...

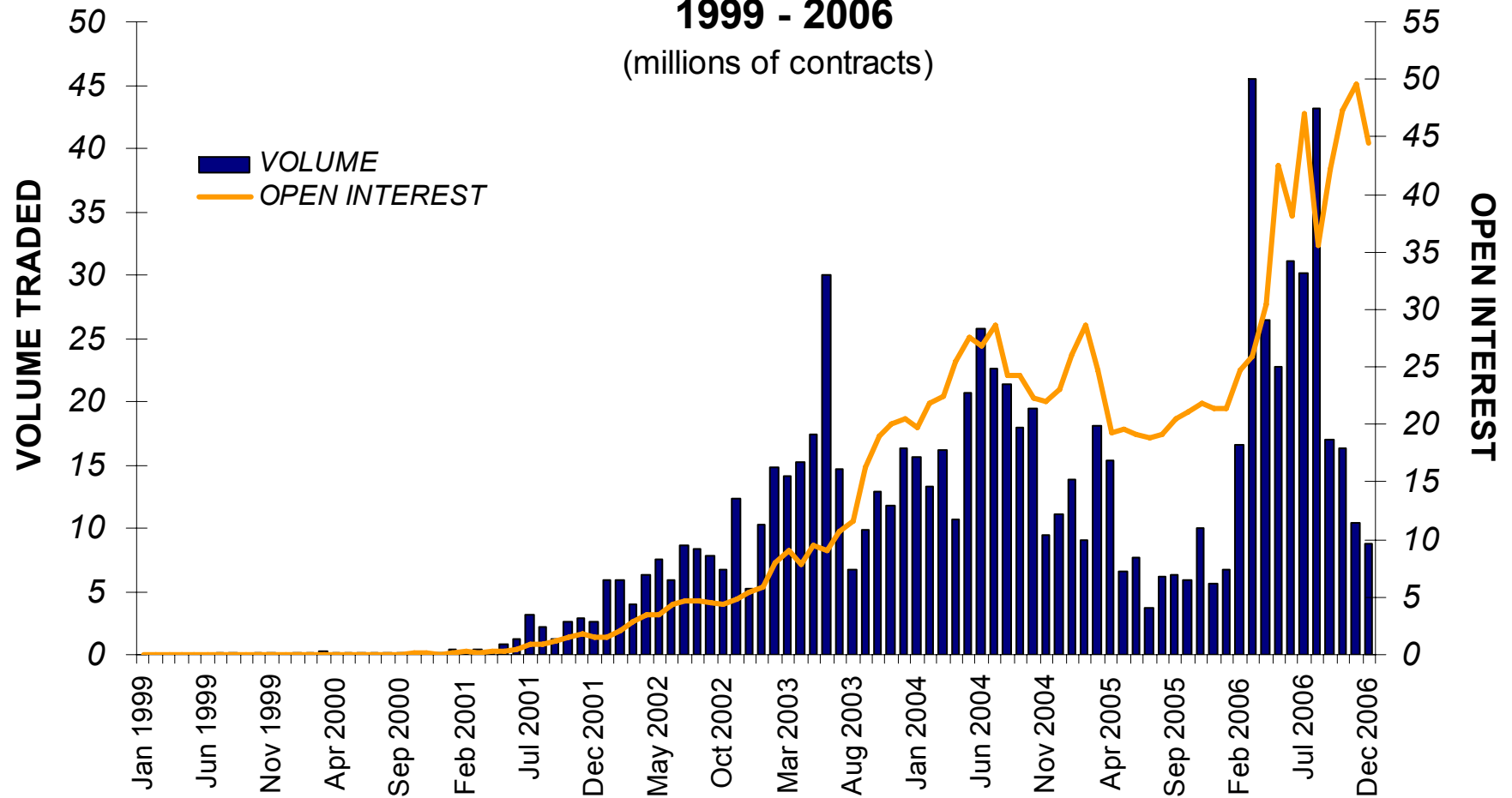


# Evolution of MexDer

## Futures Contracts

1999 - 2006

(millions of contracts)





# Market Participants

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

Compared to January 2006 we have:

- ↑ **1 NEW!** Clearing Member.
- ↑ **9 NEW!** Mexican Trading Members.
- ↑ **2 NEW!** Non Mexican Trading Members.
- ↑ **6 NEW!** Market Makers.

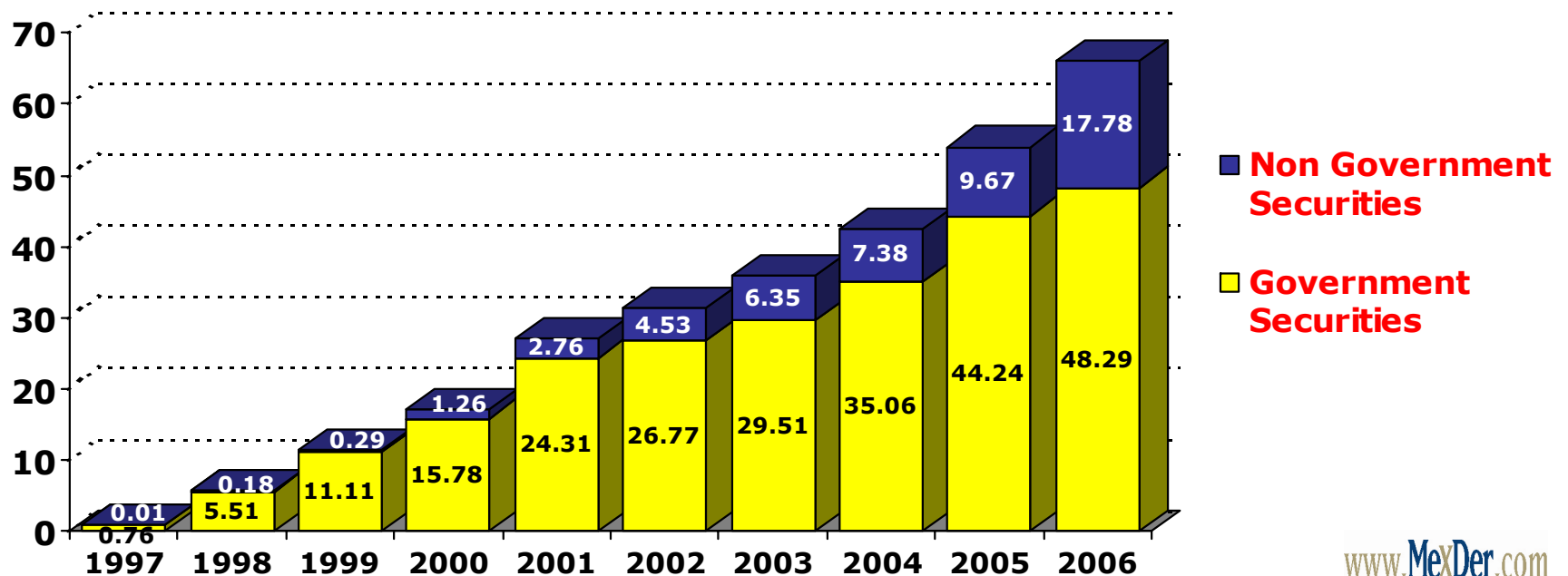
**Plus!** upgraded memberships of some of our local Members.



# How have Pension Funds driven our volume?

- The Afores Assets Under Management represented 7% of the GDP at the end of 2004.
- On 2005 Afores AUMs rised 27%, and represented 8.5% of that year's Gross Domestic Product.
- By December 2006 Afores AUMs rised 56% compared to December 2004, and represents arround 10% of 2006 GDP.

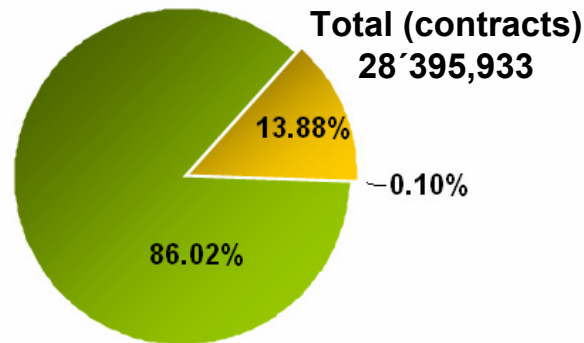
**Siefore's AUMs (Billion USD)**  
as of December 2006



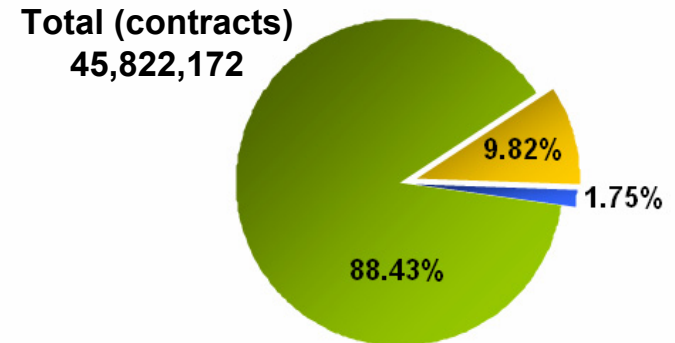


# Investment Rules... Results in MexDer

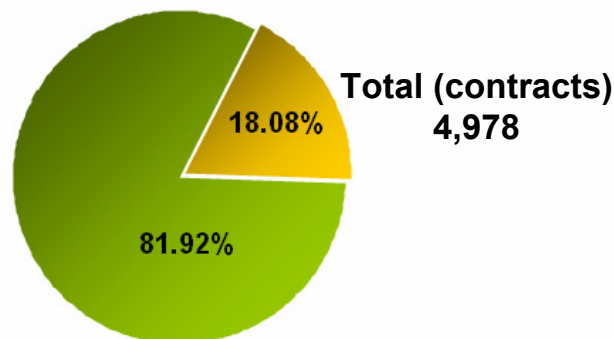
**TIIE 28 day Futures Contracts  
February 2005**



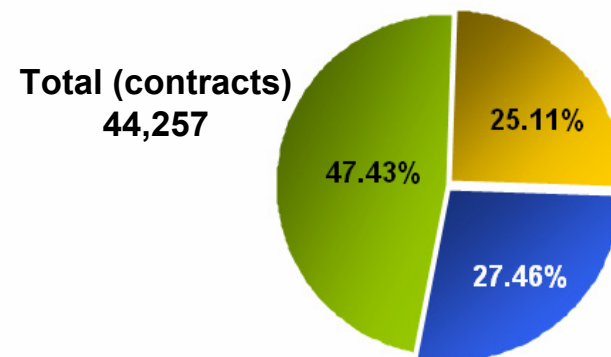
**TIIE 28 day Futures Contracts  
March 8, 2007**



**IPC Index Futures Contracts  
February 2005**






**IPC Index Futures Contracts  
March 8, 2007**



Percentage of the Open Interest

Source: Asigna

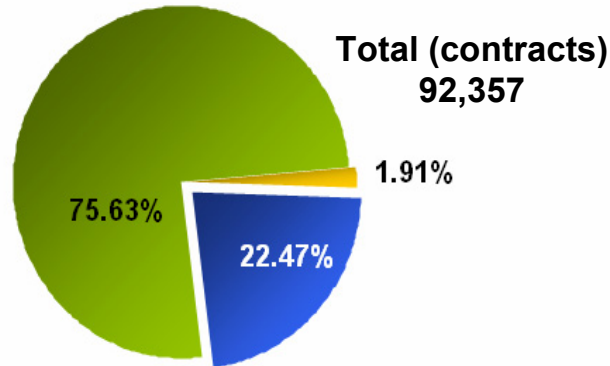
 Trading & Clearing Members  
 Institutional  
 Other participants

[www.MexDer.com](http://www.MexDer.com)

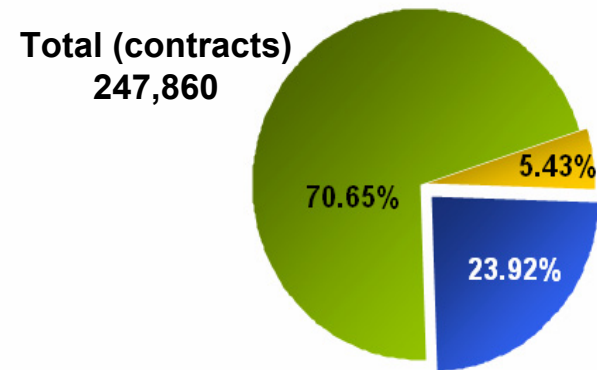


# Investment Rules... Results in MexDer

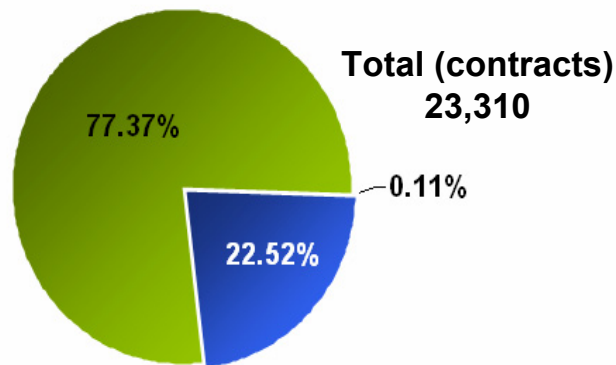
**MXP / USD Futures Contracts  
February 2005**



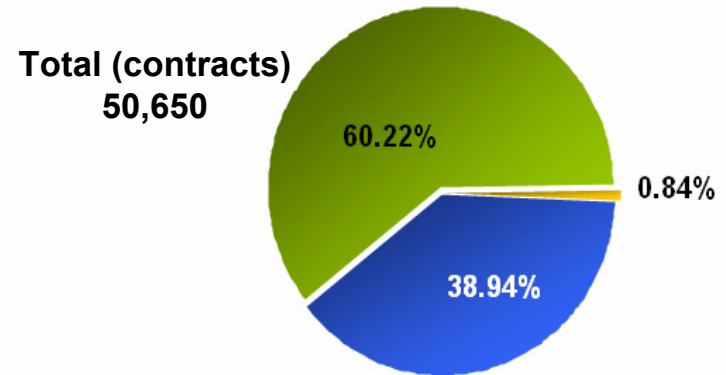
**MXP / USD Futures Contracts  
March 8, 2007**



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

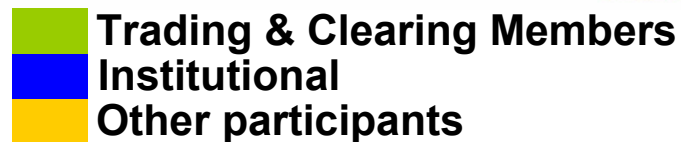


**10 Year Fixed Rate Bond Futures  
March 8, 2007**



Percentage of the Open Interest

Source: Asigna





2006...

Achievements.



# Structural Changes 2006

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



# 2006... Achievements

- ✓ NO Withholding Tax for foreign investors.
  - This important change increased participation of foreign firms in our Exchange.



- ✓ Remote Memberships.
  - 2 Remote Members and more on the way.



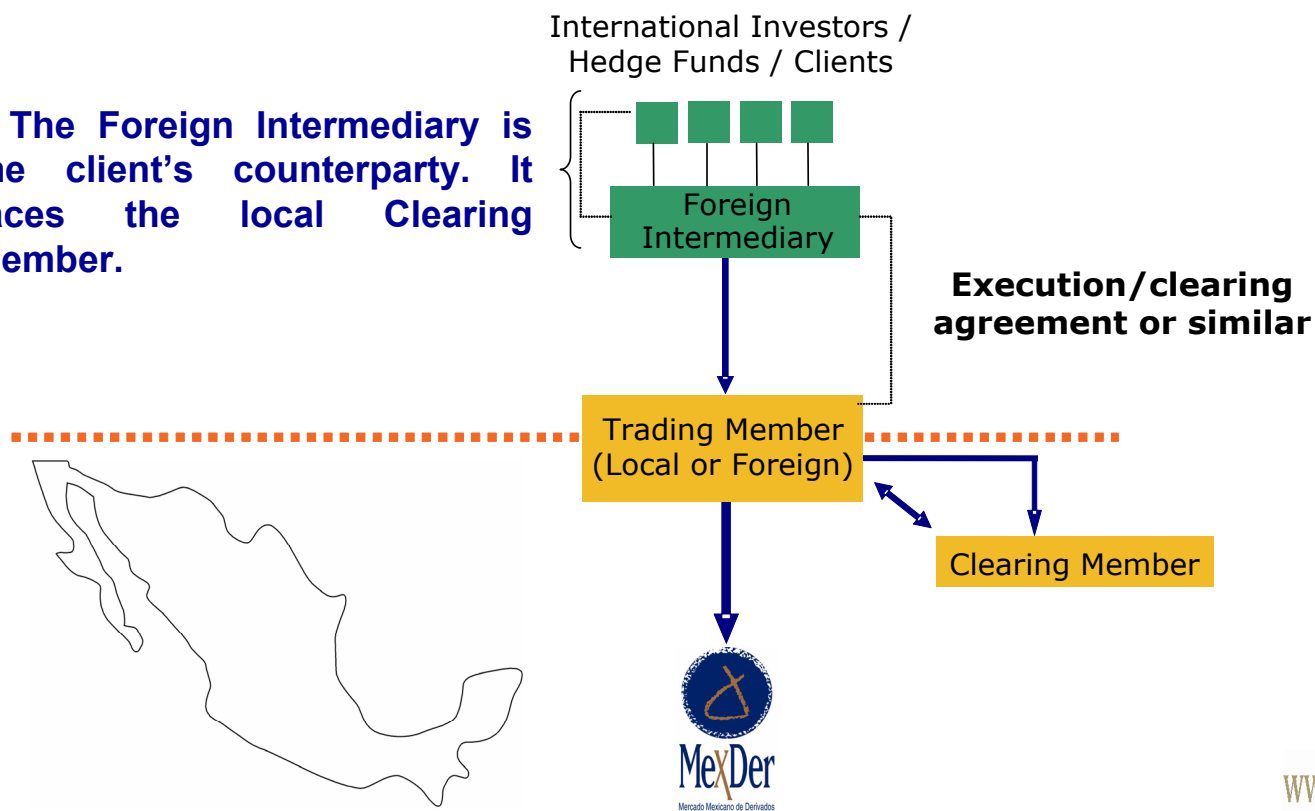


# 2006... Achievements

## ✓ Omnibus Accounts.

- Less paperwork...
- ... the easiest and fastest way for your clients to trade MexDer.
- Currently we have 8 registered Omnibus Accounts.

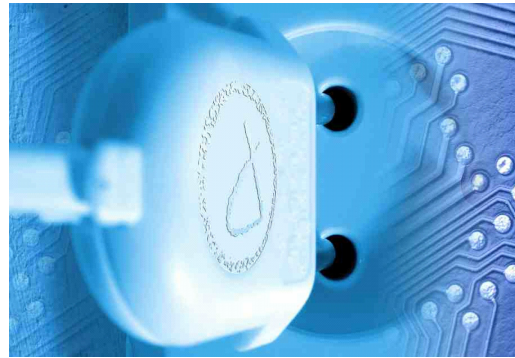
■ **The Foreign Intermediary is the client's counterparty. It faces the local Clearing Member.**





# API / FIX Access

- 4 of our members are connected through MexFix!



- Certified ISV's:





# MexDer, The Mexican Derivatives Exchange on RadianzNet

## The Shared Market Infrastructure for the Global Financial Community



# Connectivity

### New Markets for MexDer

MexDer, the Mexican Derivatives Exchange, was launched on December 15, 1998, under the authority of the Ministry of Finance, with the listing of futures on financial underlying assets. According to the Futures Industry Association (FIA), MexDer is one of the top ten growing futures exchanges worldwide in terms of trading volume.

One of MexDer's great advantages is the strength and transparency provided by its clearing house, Asigna, which is rated AAA by three of the world's leading rating agencies.

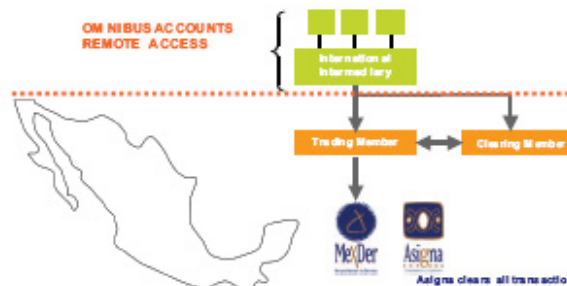
### The advantages of MexDer

- Liquidity
- Transparency
- A diverse array of instruments for your strategies
- Strength
- AAA Counterparty
- Anonymity
- Self-Regulation
- Global financial risk management

### New Opportunities with MexDer

MexDer has experienced transcendental achievements over the last few years. Through regulatory changes, new domestic memberships, a new financial options market (which was launched in March 2004), omnibus accounts, and changes in withholding tax for overseas participants, MexDer is creating several new opportunities for market participants. The Exchange also recently introduced a remote access platform – MexFix – based on the FIX protocol.

Following a recent US CFTC (Commodities Futures Trading Commission) ruling on August 24, 2006, MexDer can now offer and sell futures contracts based on the Mexican Stock Exchanges Price and Quotation Index (IPC) in the US. The IPC is a broad-



based, market capitalization weighted composite security index of highly capitalized and actively traded stocks currently listed on the Mexican Stock Exchange.

### Remote Access via BT Radianz

Today, remote memberships for international clients connecting to MexDer are available with direct access to both market data and the trading system Mex-FIX via BT Radianz. International firms can gain high-speed access to MexDer utilizing BT Radianz's shared market infrastructure solution. Connectivity on a consolidated infrastructure saves clients time, money, circuits, equipment, maintenance, and management. As a result, the BT Radianz financial extranet solution ensures fast, secure, reliable access to brokers, trading venues and other providers in Mexico and throughout the world.





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

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

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

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

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

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

**Media Contacts**

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

**Related Document**

No-Action Letter No. 06-18



## 2006... Achievements

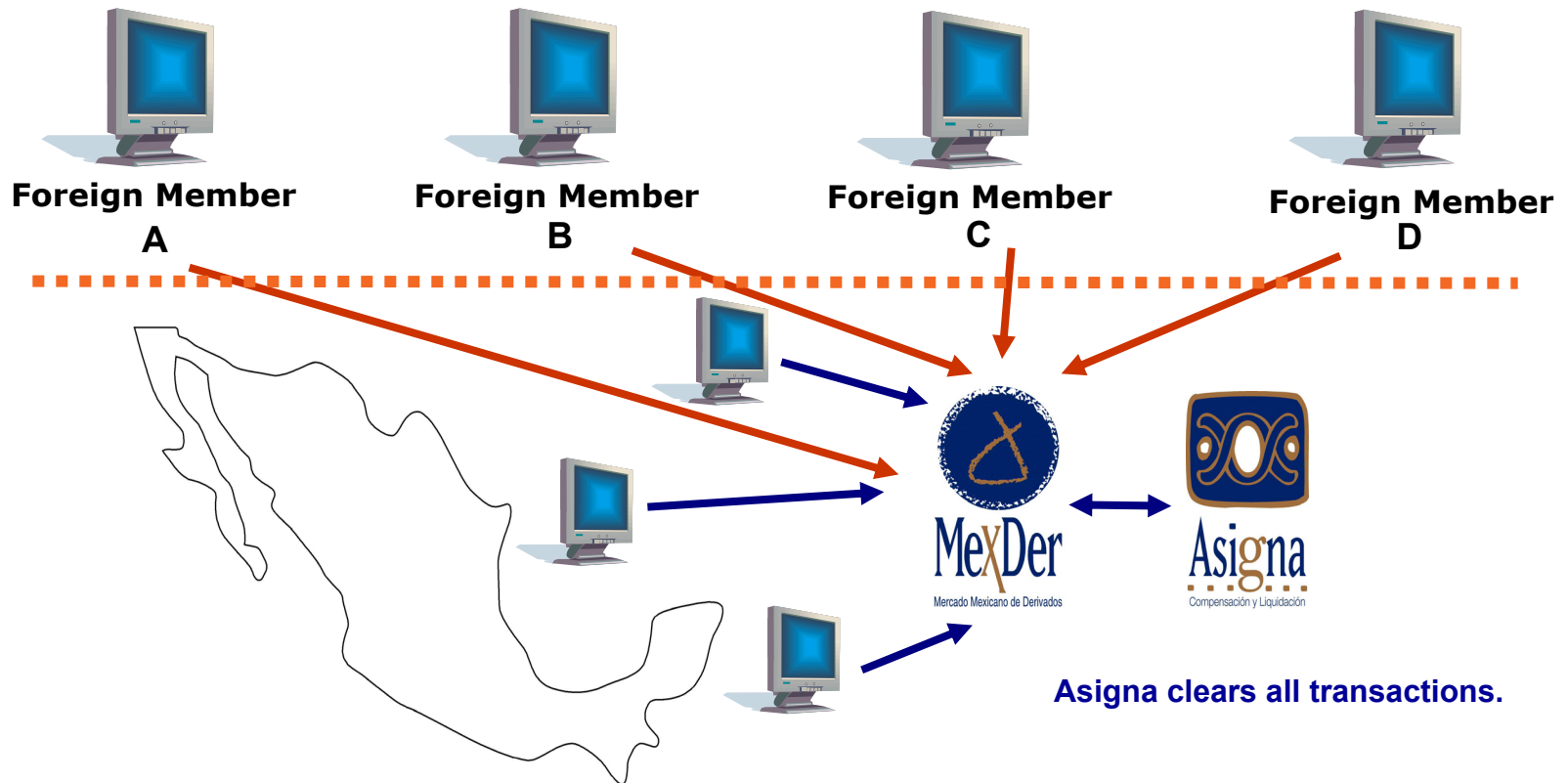
- ✓ CFTC's NO Action Letter.
  - NOW US customers can trade IPC Index derivatives in MexDer.
  
- ✓ We launched the Options on Futures on the IPC.

Combined this contracts give you a full range of products referred to the leading Index of the Mexican Stock Exchange.



# CFTC's No Action Relief

- ✓ CFTC granted MexDer a No Action Letter to place screens in the US.





# 2007 Outlook.



# 2007... Outlook

## ■ Local Side:

### ■ Mutual Funds.

- Now Mexican regulation allows Mutual Funds to trade derivatives.
- By January 2007, there were 451 Mutual Funds.
- Their assets value is around \$66.6 billion USD.
- We expect them to be active traders within the next years.

## ■ International Side:

- Algo Traders.
- Hedge Funds.
- More International Participants.

## ■ 2007 Top Products forecast.

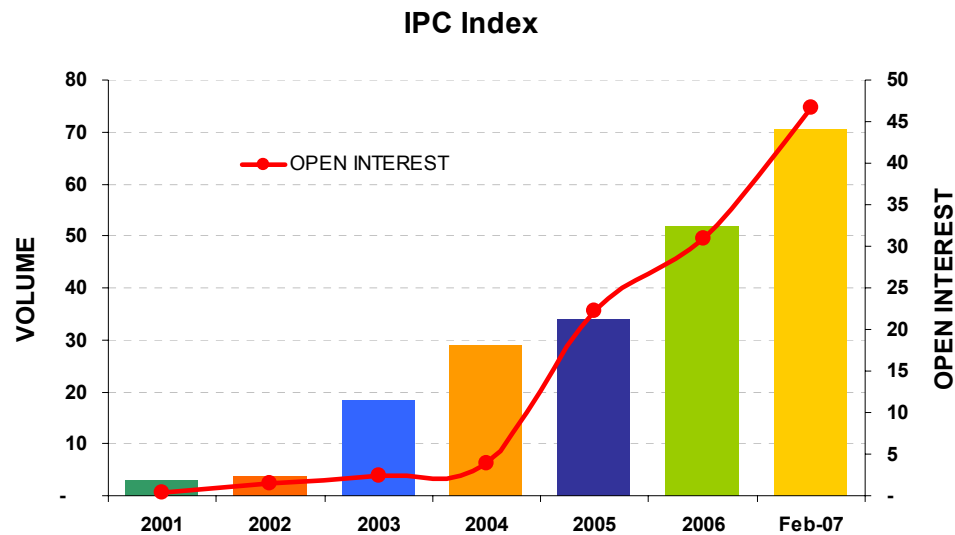
- IPC Index Futures.
- Options on IPC futures.
- 10 year Bond.
- 28-day TIE.

## ■ Give Ups.





## Monthly Average Traded Volume (thousands of contracts)



## What is the IPC Index?

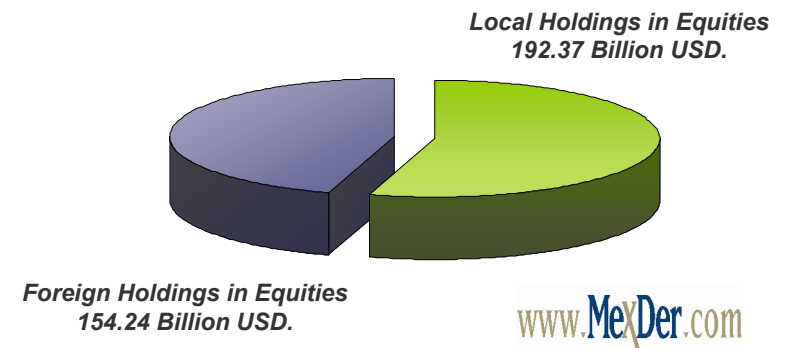
- The IPC is a capitalization Index and the leading indicator of the Mexican Stock Exchange performance.
- The IPC indicates the market return based on price variations in a balanced, weighted and representative sample of the stocks listed on the Mexican Stock Exchange.

# IPC Index Futures Contracts

## Why to trade IPC Index Futures?

- ☑ In 2006, the IPC returned 48.6% in MXP and 46.1% in USD.
- ☑ One of the 10 most profitable markets worldwide.
- ☑ The easiest and cheapest way to short the equity market.
- ☑ From January 2005 to February 2007 the Open Interest has increased 900%.

**Foreign holdings in the cash equity market, as a percentage of the Market Cap by December 2006.**

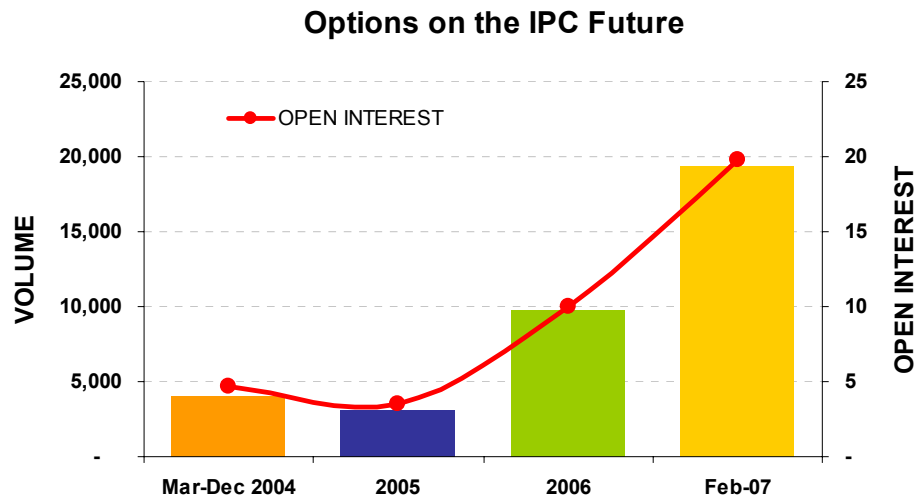


[www.MexDer.com](http://www.MexDer.com)



# Options on the IPC Future

## Monthly Average Traded Volume



- IPC Options were launched on March 2004.
- On December 18, 2006 we changed the underlying of this contract, from the spot IPC Index to the Future on the IPC Index.
- This contract gives access to volatility trading on the IPC and represents an efficient hedging tool for Mexican equities.

## Why to trade Options on the IPC Future?

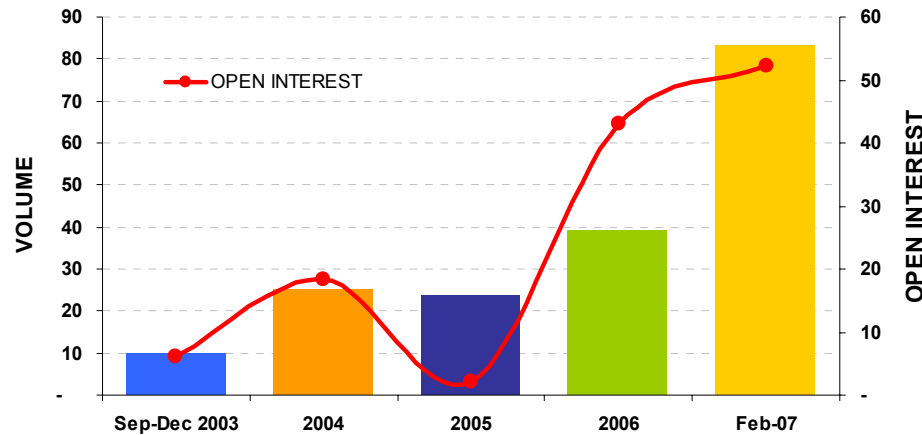
- ☑ From December 18, 2006 we've doubled the monthly average volume of this contract.
- ☑ The monthly average volume has increased more than 500%.
- ☑ The number of participants doubled last year.



# 10-Year Bond Futures Contracts

## Monthly Average Traded Volume (thousands of contracts)

(M10) 10-year Fixed Rate Bond

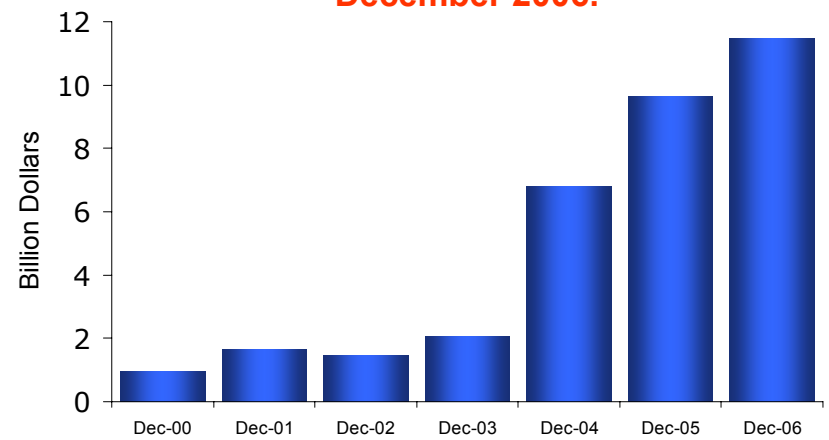


## What is the M10 Bond?

- It is a 10 year fixed rate bond issued by the Mexican federal government.
- The most actively traded fixed income security in Mexico.
- It has become a benchmark for Mexican domestic interest rate.

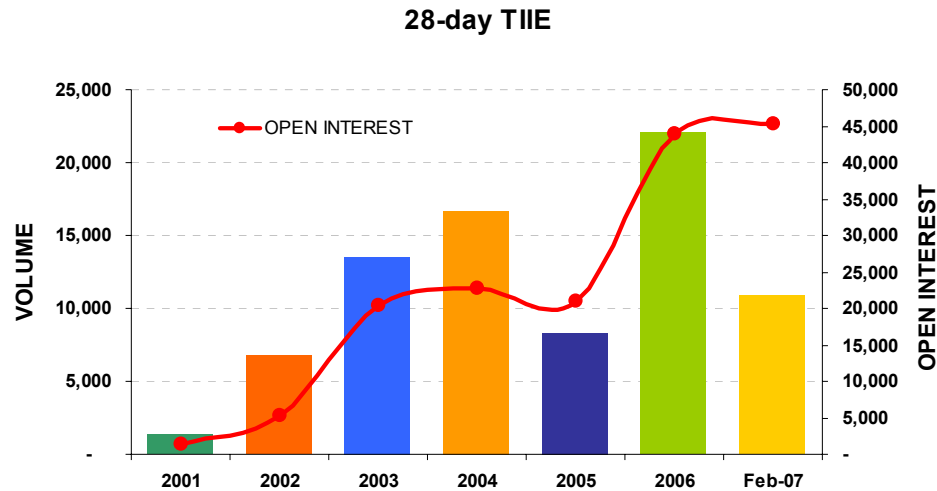
- ☑ Pension Funds are constant traders and holders of this product.
- ☑ Where are the Hedge Funds?
- ☑ Cheaper short positions.
- ☑ Monthly average volume has increased 251%.

## Foreign Investment in MXP Debt Government Securities by December 2006.





## Monthly Average Traded Volume (thousands of contracts)



## What is the 28-day TIE?

- It is the 28-day interbank interest rate, computed on a daily basis by the Central Bank based on quotations submitted by local banks.

# 28-day TIE Futures Contracts

## Why to trade 28-day TIE Futures?

- ✓ The most actively traded futures contract in MexDer.
- ✓ Liquidity and market depth.
- ✓ Over 120 monthly maturities.
- ✓ Strips, “*Stapled Transactions*”.
- ✓ One of the Top 5 derivatives contracts by volume in the world\*.



# MexDer in the global context

## Top 20 Derivatives Exchanges by Volume

*In millions of contracts*

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

## Top 20 Derivatives Contracts by Volume

*In millions of contracts\**

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

Source: "Futures Industry Magazine" September / October 2006, By Rebecca Holz.



## How to participate?

### 1. As an Omnibus Account.

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

### 2. As a Client.

- Proprietary Trader as a customer of a Local Member.

### 3. As a Remote Member.

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



**It's the right time...**

- It is the right time for foreign institutions to explore how to participate in MexDer.
- The best way to get started... contact us!

**From the US:**

**1 866 MEXDER1**

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

**Berenice Corral**

**[bcorral@mexder.com](mailto:bcorral@mexder.com)**

**(5255) 5726-6829**

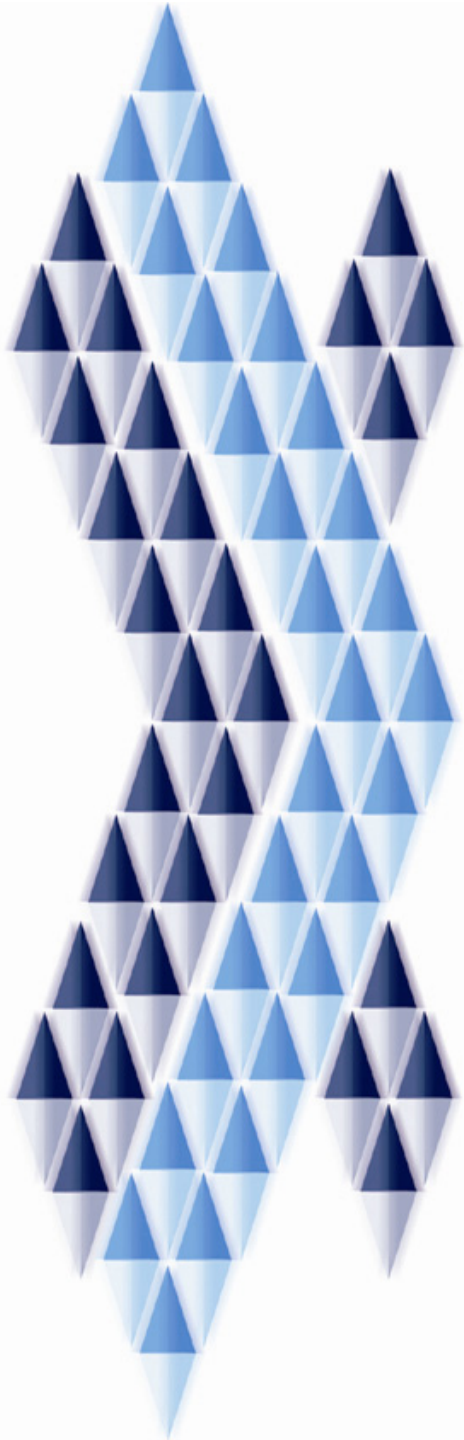


# It's the right time...



- **Banamex CitiGroup**  
**Vicente Aguirre** (5255) 2226-6905  
[vaguirrecer@banamex.com](mailto:vaguirrecer@banamex.com)
  
- **Banco JPMorgan**  
**Marina Kharitonova** (5255) 5540-9394  
[marina.x.kharitonova@jpmorgan.com](mailto:marina.x.kharitonova@jpmorgan.com)
  
- **BBVA Bancomer**  
**Gloria Roa** (5255) 5621-9229  
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- **Santander Serfin**  
**Rebeca Kuri** (5255) 5261-5059  
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- **Scotia Inverlat**  
**Jaime Ledesma** (5255) 5728-1451  
[sledesmar@scotiabankinverlat.com](mailto:sledesmar@scotiabankinverlat.com)

*Notice: MexDer's Clearing Members are shown in strict alphabetical order.*



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**FIA**

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# MexDer on Vendors

To find MexDer's market information.

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



# MexDer on Vendors

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