



*The English version of the Terms and Conditions for Futures Contracts is published for information purposes only and does not constitute legal advice. However, in case of any interpretation controversy, the Spanish version shall prevail.*

**Terms and Conditions for the  
20-Year Fixed Interest Rate Government Development Bonds  
20 year BOND  
Futures Contract  
(Physical Delivery)**

**I. PURPOSE**

**1. Underlying Asset.**

The Underlying Asset is the **Fixed Interest Rate Federal Government Development Bonds**, issued or to be issued by the federal government, through the Ministry of Finance and Public Credit, and placed by the Central Bank (Banco de Mexico), in its capacity as financial agent of the federal government, at a par value of 100 (one hundred) Mexican pesos, and for a term of 20 (twenty) years (hereinafter, "Bond.")

For purposes of settlement of the bond futures contract, Underlying Asset shall be understood to mean any issue of Fixed Interest Rate Federal Government Development Bonds that meet the characteristics of the Basket of Deliverables referred to in section IV of this contract.

**2. Number of Units of the Underlying Asset or Par Value that backs the futures contracts.**

Each bond futures contract represents the amount of 1,000 (one thousand) fixed-rate Federal Government Development bonds, equivalent to a par value of 100,000 (one hundred thousand) Mexican pesos 00/100.

**3. Series.**

In terms of their respective Internal Regulations, MexDer and Asigna will list and make available for trading different Series of Bond Futures Contracts with quarterly Maturity Date for up to one year, as long as they at least one bond in the Basket of Deliverable Bonds.

MexDer will not list new Series for trading when the Basket of Deliverable Bonds does not have at least one deliverable bond issue.

If the market demands availability of Bond Futures Contracts with Maturity Dates different from those mentioned in the first paragraph of this point (I.3), MexDer may list new Series for trading.

## **II. TRADING MECHANISM**

### **1. Ticker symbol**

The various series of the Bond Futures Contract shall be identified with a ticker symbol in accordance with attachment 1 of this contract.

### **2. Quotation unit**

Bond Futures Contracts listed on MexDer shall be traded at the futures price of that Bond.

### **3. Tick**

Orders presented to enter into a Bond Futures Contract must be made with a minimum fluctuation of (+/-) 0.025 pesos of the Futures Price indicated in section (II.2), above.

### **4. Means for Trading**

The Bond Futures Contract shall be traded through MexDer's Online Trading System, in accordance with the rules and procedures established in its Regulations, although MexDer reserves the right to establish a different trading mechanism.

Credit institutions, brokerage firms and any other company that trade as Market Makers or in accordance to the liquidity terms and conditions, may request telephone trading services, which will allow them to place direct orders to MexDer's personnel of the trading area, to submit, withdraw, modify and close a Bid or an Offer.

## **III. TRADING CHARACTERISTICS AND PROCEDURES**

### **1. Maximum daily fluctuation in the futures price**

There shall be no limit set on the maximum fluctuation of the Futures Price during a single trading session.

### **2. Trading hours**

The trading hours for Bond Futures Contracts shall be from 7:30 to 14:00 hours, Mexico City time. Also included in the trading schedule shall be the auctions summoned by MexDer in accordance with the content in exhibit 2, point d) and the period for trading at the Daily Settlement Price.

The mentioned above notwithstanding MexDer's faculty to establish different trading hours, which will be published in the Bulletin three business days before they take effect.

### **3. Trading hours at Daily Settlement Price**

MexDer shall calculate the Daily Settlement Price for the close of each trading session. The established price will allow trading in the Futures Contract, through the presentation of firm Bids at that price by MexDer Trading and Clearing Members. The period during which MexDer will accept firm Bids to trade at the Daily Settlement Price shall be from 14:25 to 14:35 hours, Mexico City time.

The mentioned above notwithstanding MexDer's faculty to establish different trading hours, which will be published in the Bulletin three business days before they take effect.

#### **4. Last Trading Day and Settlement Date**

- a) The last trading day for each Bond Futures Contract series shall be the third business day prior to the Maturity Date for the Series.
- b) The Maturity Date shall be the last business day of the month in which the Series expires.

#### **5. Trading new Series**

Trading of series with maturity dates different from those established in point I.3, above, or a new Series of the Futures Contract cycle, shall begin on the business day following the date of its announcement in the market (*Derivatives Market Indicators*) bulletin.

#### **6. Delivery Period, Settlement Date and Physical Delivery**

For the purposes of complying with the obligations of Asigna and the Clearing Member with respect to the Client, Delivery Period shall be understood to mean the period included between the fourth business day and last business day of the maturity month of the Series. During the Delivery Period, the parties may physical delivery Open Contracts, by the procedure described in Section IV, below.

Under the terms of these General Contract Conditions, "Settlement Date" shall be understood to mean the third business day following the Notice of Delivery by the Seller in accordance with number 2 of section IV of this Contract, during the Delivery Period.

Any Contract that remains open at the close of the trading session on the last trading day shall be settled by means of the physical delivery procedure described in section IV. 2, a), b), c), d), e), and f) of this Contract.

### **IV. DAILY SETTLEMENT AND PHYSICAL DELIVERY ON THE SETTLEMENT DATE**

#### **1. Daily Settlement**

Clients must settle the obligations derived from their trades on MexDer on a daily basis, as established in the Brokerage Agreement.

#### **2. Physical Delivery on the Settlement Date**

Clients will effect Settlement in accordance with the procedures and terms applicable for Daily Settlement on the Settlement Date, observing the following points:

- a) Clients with Short Positions must notify their Clearing Member, between 15:45 and 16:00 hours, Mexico City time, three Business Days in advance of the Settlement Date, of their intention to deliver the underlying asset included in the Package of Deliverables during the Delivery Period.
- b) The Clearing Member must notify Clients with Long Positions, three Business Days in advance of the Settlement Date, after 18:00 and no later than 7:00 hours before the beginning of the trading session on the next Business Day of the allocation, of their obligation to pay the Settlement Balance ("Allocation Notice"), with the right to receive the underlying assets included in the corresponding Package of Deliverables.

For the purposes of these Terms and Conditions, Settlement Balance will be understood as the Settlement Balance at Maturity defined in the Internal Regulations.

- c) On the Settlement Date, Clients with Short Positions must deliver, no later than 13:00 noon, Mexico City time, against payment of the Settlement Balance, the amount of underlying asset

included in the Package of Deliverables, which corresponds to the number of Contracts offered, to the securities account indicated by their Clearing Member.

- d) On the Settlement Date, the Buyer must deliver the Settlement Balance, no later than 13:00 noon, Mexico City time, on the Settlement Date, to the cash concentrating account indicated by the Long Position Clearing Member.
- e) On the Settlement Date, the Clearing Member for the Client with a Short Position must deliver the Settlement Balance to the Seller, no later than 14:30 hours, Mexico City time.
- f) On the Settlement Date, the Clearing Member must deliver the underlying asset in the Package of Deliverables corresponding to the number of allocated Contracts to the Buyer with a Long Position, no later than 14:30 hours, Mexico City Time.

The Clearing House will carry out the cash transfer and the delivery of the underlying asset in the Package of Deliverables corresponding to the Settlement to which this point refers, exclusively for the Clearing Members with Short or Long Positions, respectively, who will be responsible to settle with their Clients, whether Buyers or Sellers.

If a Clearing Member for Short or Long Positions fails to issue the notifications mentioned in this point to the Buyer or Seller, it will be responsible in the face of the Clearinghouse, for delivering the Settlement Balance or the underlying asset in the Package of Deliverables corresponding to the number of allocated Contracts.

### **3. Computation of the Daily Settlement Price**

At the end of a trading session, MexDer shall calculate the Daily Settlement Price for each Series, in the order and according to the methodology described in Appendix 2 of this contract.

### **4. Settlement Price at Maturity**

The Settlement Price at Maturity of a Bond Futures Contract shall be calculated in the order and according to the methodology established in Appendix 3 to this contract.

## **V. BASKET OF DELIVERABLE BONDS (M20)**

- a) To perform the Bond Futures Contract, the Seller or Short Position Clearing Member may comply with its obligations by delivering any of the securities that make up the Basket of Deliverable Bonds, understood to mean all Fixed Interest Rate Federal Government Development Bonds and which all over the delivery period, have a term to maturity of no less than 16 and a half years (6,006 days) and no more than 22 years (8,008 days). The Seller may select the securities issue referred to in this point, and these must be delivered to the Buyer on the Settlement Date. The securities must be from the same issue.
- b) When any of the Bond Futures Contract complies with the requirements of the preceding paragraph, but do not have enough trading volume, MexDer may exclude it from the Package of Deliverable Bonds from the series following the most distant Series that has open interest, subject to confirmation Clearing House. Once above, MexDer must notify the market of that exclusion through the Bulletin prior to the publication of notice of the Package of Deliverable Bonds and Conversion Factors. Also, in the event that any of the Bonds excluded from the Package of Deliverable Bonds regain sufficient trading volume, MexDer may reintegrate it to the Package starting from the series following the most distant Series that has open interest.
- c) The price of the underlying assets included in the Package of Deliverable Bonds will have the annual rate of yield established by the Exchange in accordance with the Conversion Factor Table, which will be published in the Institution's Market Bulletin. The Exchange will publish the

conversion factors for the following immediate Series, in the Maturity Day of its previous Series. The Conversion Factor will be multiplied by the Daily Settlement Price plus accrued interest on the issuance to the physical delivery date of the instruments as indicated in Exhibit 3, point a), herein.

- d) The Exchange will be authorized to change the rate of yield and the Conversion Factor Table when, in its judgment, the prevailing market conditions warrant it. The Exchange will be obliged to publish such modifications at least 15 calendar days before the maturity of the Series closest to the publication date.

New issuances may not be included in the Package of Deliverable Bonds for the Series with the next maturity date, once the Table of Conversion Factors has been published.

## **VI. LIMIT POSITIONS IN BOND FUTURE CONTRACTS.**

### **1. Limit Positions on Short or Long Positions and on Opposite Positions.**

The Clearing House establishes limit positions for the Bond Futures Contract, which stipulate the maximum number of Open Contracts the Client may have in a single class. These limit positions are published in the daily (*Derivatives Market Indicators*) Bulletin.

### **2. Limit Positions for hedge positions.**

Clients may open Long and Short Positions exceeding the Position limits established and published by the Clearing House solely for the purpose of creating a risk hedge position.

Clearing Members are responsible for verifying that the necessary conditions exist for performing these transactions, and for accrediting to the Clearing House on behalf of their Clients, the existence of positions to be hedged for risk, by the Business Day following that on which the Limit Positions are exceeded, in accordance with the procedures established in the Operating Manual.

According to the Regulations, hedge positions shall be understood to mean a Short or Long positions maintained by a Client with the Clearing House as a position that helps to hedge the risk implied in the position a Client maintains in other markets outside of the Exchange and the Clearing House, in Underlying Assets or securities of the same type as the Underlying Asset or other assets with regard to which the hedge position is being taken.

The Clearing House may accept or reject the Client's hedge position, at its discretion. If the position is rejected, the Clearing Member must ensure that its Client closes out the number of Contracts necessary to comply with the Limit Positions established in number V.1, above, on the understanding that if it does not do so, it shall be sanctioned in accordance with the Internal Regulations of the Clearing House.

## **VII. EXTRAORDINARY EVENTS**

### **1. Fortuitous Event or Causes of Force Majeure.**

When, due to a fortuitous event or causes of force majeure, it is impossible to continue trading Fixed Interest Rate Federal Government Development Bonds Futures Contracts, MexDer and Asigna may suspend or cancel trading, clearing, and settlement of such Contracts, respectively, and will be authorized, in terms of their respective Internal Regulations, to determine the means for settling the Open Contracts at the time, safeguarding, in all events, the rights acquired by their Clients.

In case any Bond Series listed stop having at least one deliverable bond issue in the Basket of Deliverable Bonds, MexDer together with Asigna will determine how to close open positions to proceed to the suspension or cancellation, in terms of the Internal Regulations.

## **2. Contingency situations.**

If MexDer declares a contingency situation, both the trading hours and the trading mechanisms may be modified, as established in the Contingency Manuals of MexDer and Asigna.

## ATTACHMENT 1

### Ticker symbol

Bond Futures Contract series shall be identified with a code or ticker symbol made up of the letters "M20" and the first letter and first consonant in the name of the maturity month, plus the last two digits of the maturity year, as shown below.

Ticker Symbol of the Futures Contract	Ticker Symbol of the Underlying Asset	Maturity Month	Maturity Year
M20 DC07	M20	DC = December	09 = 2008
M20 MR07	M20	MR = March	10 = 2008
M20 JN08	M20	JN = June	10 = 2009
M20 SP08	M20	SP = September	10 = 2009

## ATTACHMENT 2

### Computation of the Daily Settlement Price

At the end of a trading session, MexDer will calculate the Daily Settlement Price for each Series, observing the following order of priority and methodology:

- a) The Daily Settlement Price, in first instance will be the weighted average of the prices agreed upon in Futures Contracts trades executed in the last five minutes of the trading session by Series and adjusted to the nearest tick, applying the following formula:

$$PL_t = \frac{\sum_{i=1}^n PiVi}{\sum_{i=1}^n Vi}$$

Where:

$PL_t$  = Settlement Price for Bond Futures Contracts on day t, rounded to the nearest tick.

n = Number of trades performed in the last five minutes of auction.

Pi = Price negotiated for the i<sup>th</sup> trade.

Vi = Volume traded in the i<sup>th</sup> trade.

- b) If no trades were executed during the period established in point (a) above, the Daily Settlement Price for each Series will be the volume weighted average of the live Bids/Offers at the end of the trading session, applying the following formula:

Where:

$PL_t$  = Settlement Price for Bond Futures Contracts on day t, rounded to the nearest tick.

$P_C$  = Price of the highest live Bid quote(s) outstanding at closing.

$P_V$  = Price of the lowest live Offer quote(s) outstanding at closing.

$V_C$  = Volume of the highest live Bid quote(s) at outstanding closing.

$V_V$  = Volume of the lowest live Offer quote(s) outstanding at closing.

$$PL_t = \frac{P_C V_V + P_V V_C}{V_C + V_V}$$

- c) If, at the close of the session, there is not at least one Bid quote and one Offer quote for a Futures Contract with the same Maturity Date, the Daily Settlement Price will be the futures price agreed upon in the last trade executed during the trading session.
- d) If, during the trading session, no trades were executed for a given Futures Contract Maturity Date, and there is open interest for that particular Series, the Daily Settlement Price will be that resulting from the auction summoned by MexDer, in accordance with its Internal Regulations.

If, in the auction mentioned in paragraph above, there are no facts derived from the positions entered into the Electronic Trading System the Daily Settlement Price will be the volume weighted average price of the firm Bids or Quotes prevailing at the end of the trading session, in accordance with the formula set forth in subsection b) above .



- e) If no live Bid and Offer quotes were received for the auction mentioned in point (d) above, the Daily Settlement Price will be the Bond with the least value obtained through the usage of the Bond Futures Contract Calculator available to all the participants in the MexDer internet webpage for each series.

The inputs used by MexDer for calculating the theoretical price, will be the curve of government repurchase agreement (G2), and the curve of government repurchase agreement with tax (G2i), as well as the Bonds M Curve and the Bonds Mi Curve issued by a price vendor chosen by MexDer.

Notwithstanding the provisions of points (a), (b), and (c) above, if more than one third of the Market Makers consider that the Settlement Price fails to reflect the price prevailing at the close of the Session, they may request that the Exchange, which will rule on whether the request is well funded or not, summon for an auction to determine the Settlement Price. If the request is granted, the Exchange will summon for an extraordinary auction to determine the Settlement Price, in which the participants will be subject to the standards established in MexDer's Internal Regulations.

### ATTACHMENT 3

#### Settlement Price at Maturity

The Settlement Price at Maturity for a Bond Futures Contract shall be calculated in the order and according to the methodology described below:

- a) The Settlement Price at Maturity shall be equal to the Price resulting from the procedure described above in attachment 2 points (a), (b), (c) (d), (e), and (f), by which the Exchange determines the Daily Settlement Price, and adjusted by the Conversion Factor and interest accrued up to the Settlement Date of the Bonds, according to the following formula:

**Settlement Price at Maturity = Daily Settlement Price x Conversion Factor + Accrued Interest**

- b) The Conversion Factor is the Bond Price that results in a yield equivalent to that of the Bond (futures) at par, on settlement date.

The conversion factor for each of the issues of Fixed Interest Rate Federal Government Development Bonds is calculated as follows:

$$\text{Factor de Conversión} = \left[ \frac{\left[ C + C \left( \frac{1}{r} - \frac{1}{r(1+r)^{S-1}} \right) + \frac{VN}{(1+r)^{S-1}} \right]}{(1+r)^{\left(1 - \frac{d_1}{182}\right)}} - C \left( \frac{d}{182} \right) \right] / 100$$

$$\text{Where: } C = TC \left( \frac{182}{36000} \right) VN \quad r = R \left( \frac{182}{36000} \right)$$

VN= Par value of the certificate.

S = number of coupons to be settled

TC = Annual interest rate of the bond coupon, expressed in percentage points.

R = annual return at maturity (coupon rate of the Bond Futures published by MexDer)

r = Interest rate used to discount the flows that must be settled

d = Number of days elapsed in current coupon

Note: Rates as percentages.