



MexDer
Mexican Derivatives Exchange

Interactive Brokers Webinar
January 20, 2008

MexDer's History

- 1998 Open Outcry Trading starts.
Listing MXP/US Dollar Future Contract.
- 1999 Interest Rates and Index Futures Contracts Listing.
- 2000 Electronic Trading.
- 2002 Local Market Makers.
- 2003 Partnership with MEFF for the Options Market
- 2004 Development and launching of the equity options market.
- 2005 Omnibus Accounts.
- 2006 Remote Participants.
- 2007 Emerging Market of the year.
- 2008 Bolsa Mexicana Group IPO.

Clearing House - Asigna



Fitch Rating

Standard & Poor's

Moody's

Local Rating

AAA (Mex)

MxAAA/mxA-1+ local currency

AAA.MX

Global Rating

BBB/A-3 foreign currency

BBB+/A-2 local currency

A1



Asigna
Compensación y Liquidación
10 años

Collaterals Accepted.

Deposited in the U.S:

- US Dollar (cash).
- T-Bills.
- T-Notes.

Deposited in Mexico:

- Eligible Mexican Stocks.
- Eligible Mexican Bonds.
- Cetes (Mexican Treasury Bills).

Our Products

Futures Contracts

- **Currencies**

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

- **Indices**

- IPC (Mexican Stock Exchange Index)

- **Individual Stocks**

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

- **Fixed Income**

- 28 days TIIE (Interbank Interest Rate)
- 10 year Interest Rate Swap Futures based on the 28 day TIIE
- 91 days Cetes (MXP Treasury Bill)
- 3 year Fixed Rate Bond in MXP (M3)
- 10 year Fixed Rate Bond in MXP (M10)
- Inflation Index (UDI)

Our Products

Options Contracts

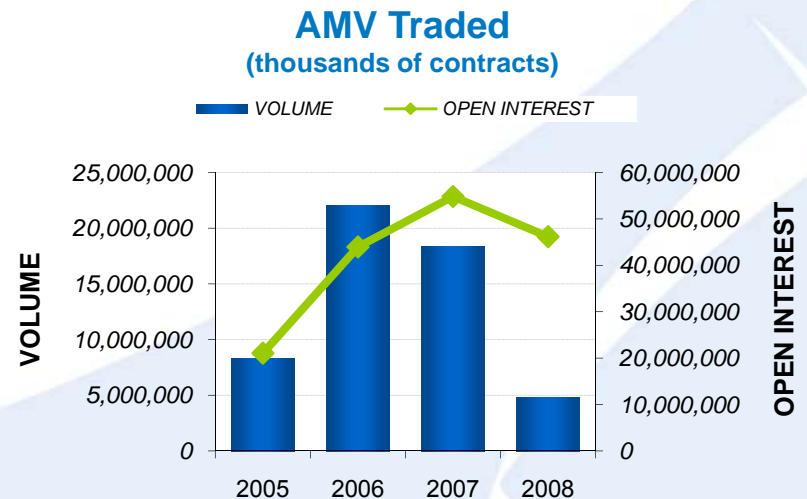
- **Currencies**
 - Mexican Peso / U.S. Dollar
- **Indices**
 - Futures on IPC
- **Individual Stocks**
 - Amx L
 - Naftac 02
 - New!* ▪ Walmex
 - New!* ▪ Cemex

28-day TIE Futures Contracts

MexDer Ticker Symbol:	TE28
Quotation:	Interest rate
Size:	\$100,000 MXP
Tick:	One bp (0.01)
Maturity Months:	Monthly, up to 10 years
Settlement:	Cash
Trading Hours:	07:30 - 14:15 hrs. (GMT -06:00)
Bloomberg < MMDD >	DOA <CMDTY> CT
Reuters MXN/FUTEX1	0#TII:

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

- Liquidity and market depth.
- Up to 120 monthly maturities.
- Most traded contract in MexDer.
- Best Benchmark of the Mexican Interest Rate Market.
- Reliable.

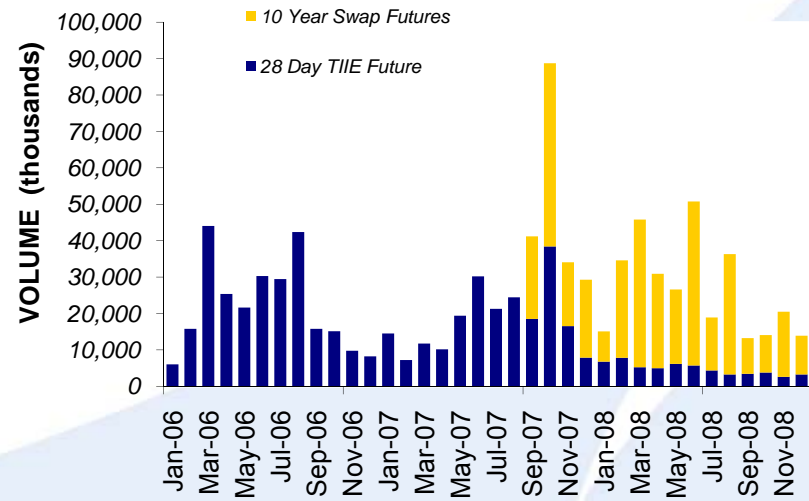


10 Year TIIE Swap Futures Contract

MexDer Ticker Symbol:	SW10
Quotation:	Interest rate
Size:	\$1,000,000 MXP
Tick:	0.005 bps.
Maturity Months:	Monthly or Quarterly maturities for up to one years
Settlement:	Cash
Trading Hours:	07:30 - 14:15 hrs. (GMT -06:00)
Bloomberg < MMDD >	SWTA <CMDTY> CT
Reuters MXN/FUTEX1	0#SW10:

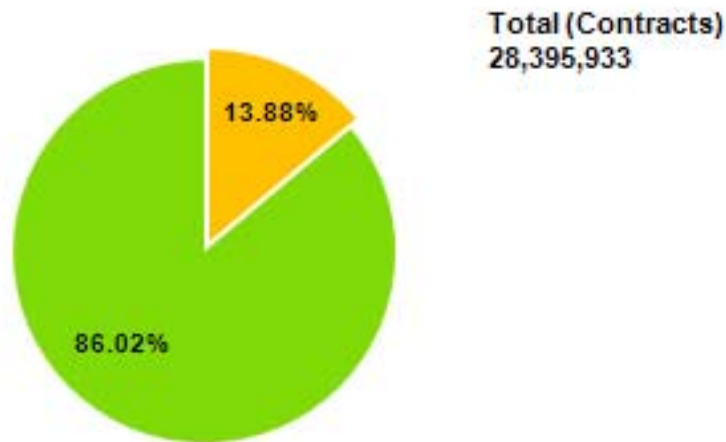
- Another hedging mechanism.
- Efficiency in initial Margins and trading costs.
- Reduced counterparty risk, Credit Lines.
- Anonymous and transparent market.
- Arbitrage opportunities.

**28 Day TIIE Futures + 10 Year Swap Futures
2004 –2008**

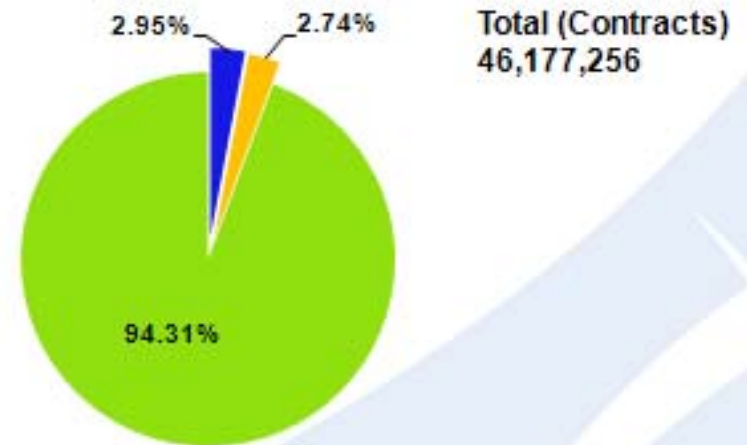


Open Interest on the TIE 28 day Futures Contract

OI Distribution February 2005



OI Distribution December 2008



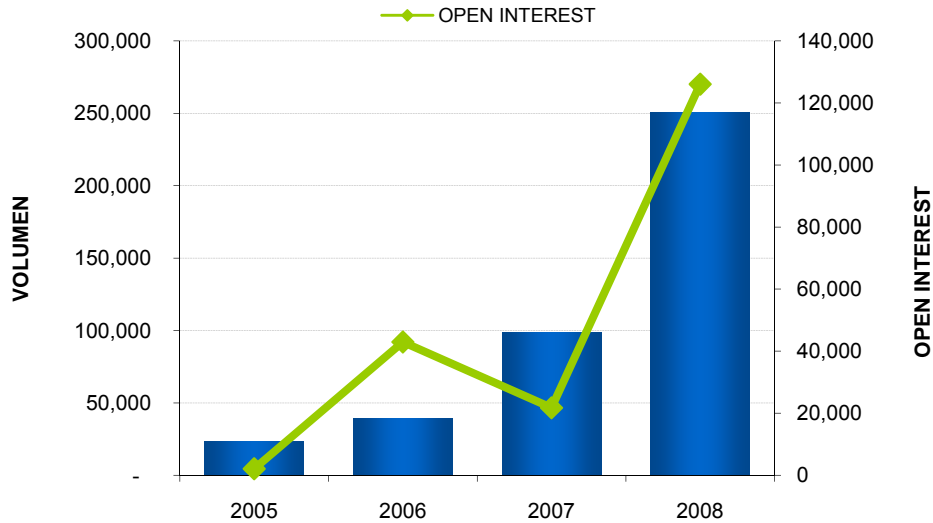
Percentage of the Open Interest

Source: Asigna

Trading & Clearing Members
Institutional
Foreigners & Other participants

10-Year Bond Futures Contracts

AMV Traded
(thousands of contracts)
(M10) 10-year Bond

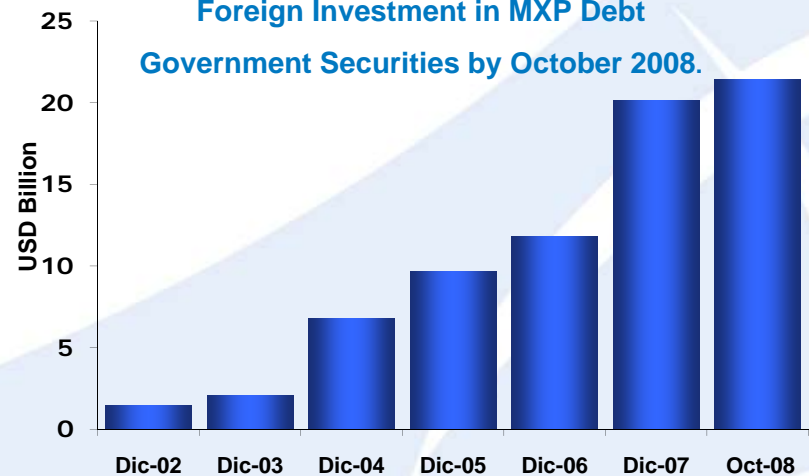


- Pension Funds actively trading this product.
- Arbitrage opportunities
- Most efficient way to hedge and short positions.
- From 2006 to 2008:

The monthly average volume has increased in more than 537%.

- 10 year fixed rate bond issued by the Mexican federal government.
- One of the most actively traded fixed income securities in Mexico.
- A benchmark for Mexican domestic interest rates.

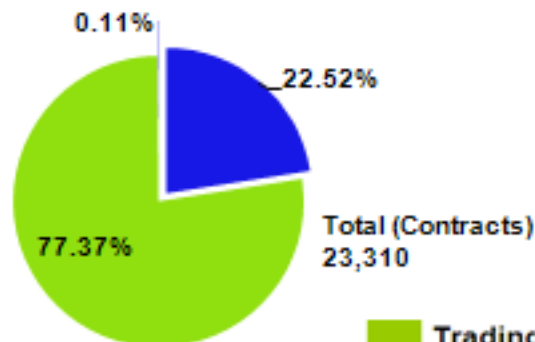
Foreign Investment in MXP Debt
Government Securities by October 2008.



Source: Mexican Stock Exchange.

Open Interest 10 Year Bond Futures

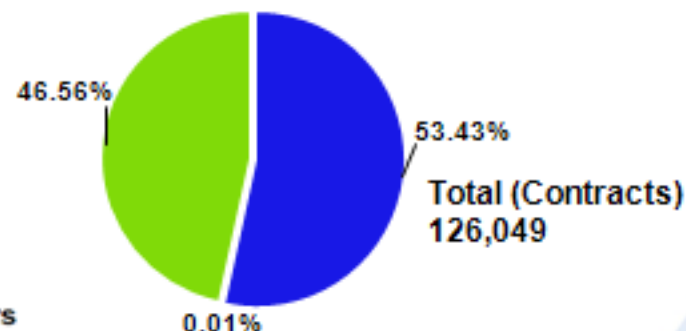
OI Distribution February 2005



Percentage of the Open Interest
Source: Asigna

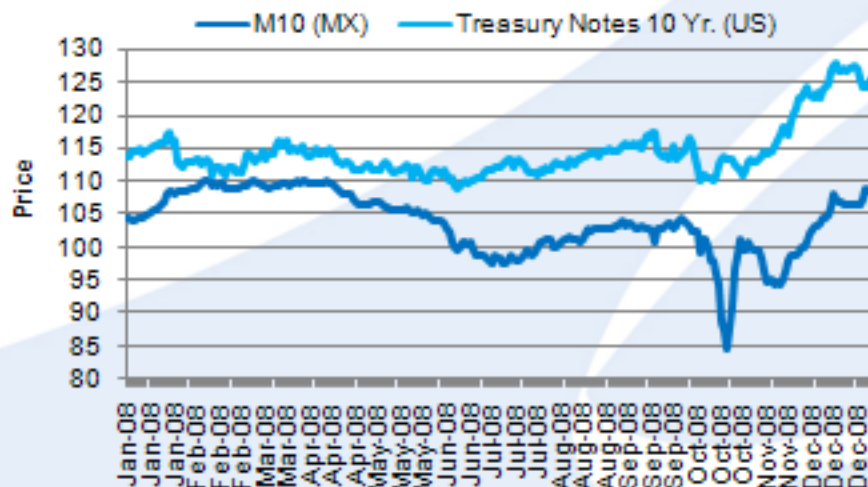
■ Trading & Clearing Members
■ Institutional
■ Foreigners & Other participants

OI Distribution December 2008



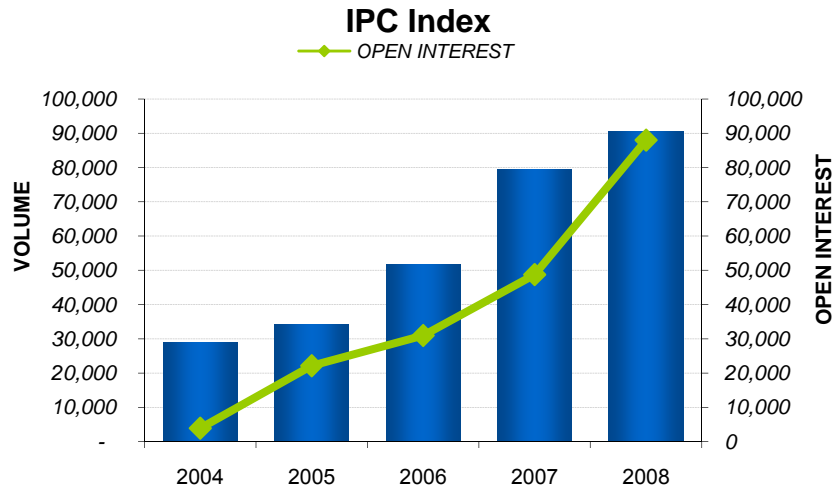
MexDer Ticker Symbol:	M10
Quotation:	Price
Size:	\$100,000 MXP
Tick:	\$0.25 MXP
Maturity Months:	Quarterly, up to 3 years
Settlement:	Cash
Trading Hours:	07:30 - 14:15 hrs. (GMT -06:00)
Bloomberg < MMDD >	DWA <CMDTY> CT
Reuters MXN/FUTEX1	0#B10:

Arbitrage Opportunities: M10(MXN) vs. T Notes (US)



IPC Index Futures Contracts

AMV Traded
(thousands of contracts)

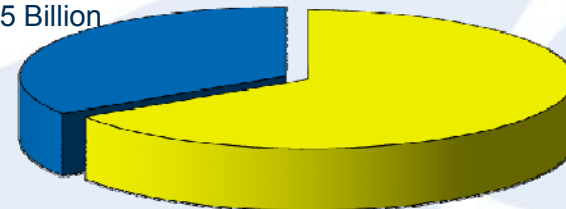


MexDer Ticker Symbol:	IPC
Quotation:	IPC Points
Size:	IPC x \$10 MXP
Tick:	1 point
Maturity Months:	Quarterly, up to one year
Settlement:	Cash
Trading Hours:	07:30 - 15 hrs. (GMT -06:00)
Bloomberg < MMDD >	ISA <INDEX> CT
Reuters MXN/FUTEX1	0#IPC:

- 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.
- The easiest and cheapest way to hedge and short the Mexican equity market.
- From 2006 to 2008 the Open Interest has increased in more than 184%.
- From 2007 to 2008 the Open Interest increased in more than 80%.
- Active participation of local and foreign investors.

Foreign holdings in equities, as a percentage of the Market Cap by October 2008.

Foreign Holdings in Equities 79.5 Billion USD.

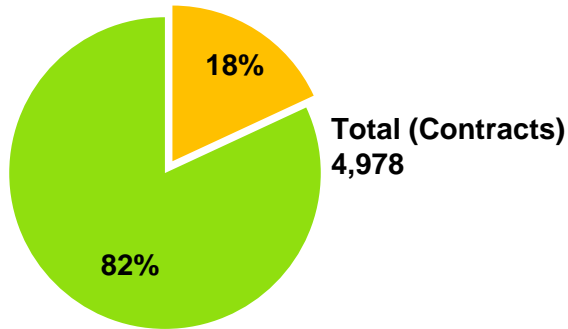


Local Holdings in Equities 153.2 Billion USD.

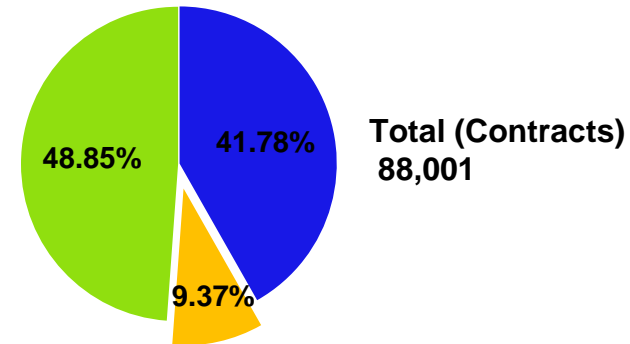
Source: Mexican Stock Exchange.

Open Interest on IPC Index Futures and Volatility Opportunities

OI Distribution February 2005



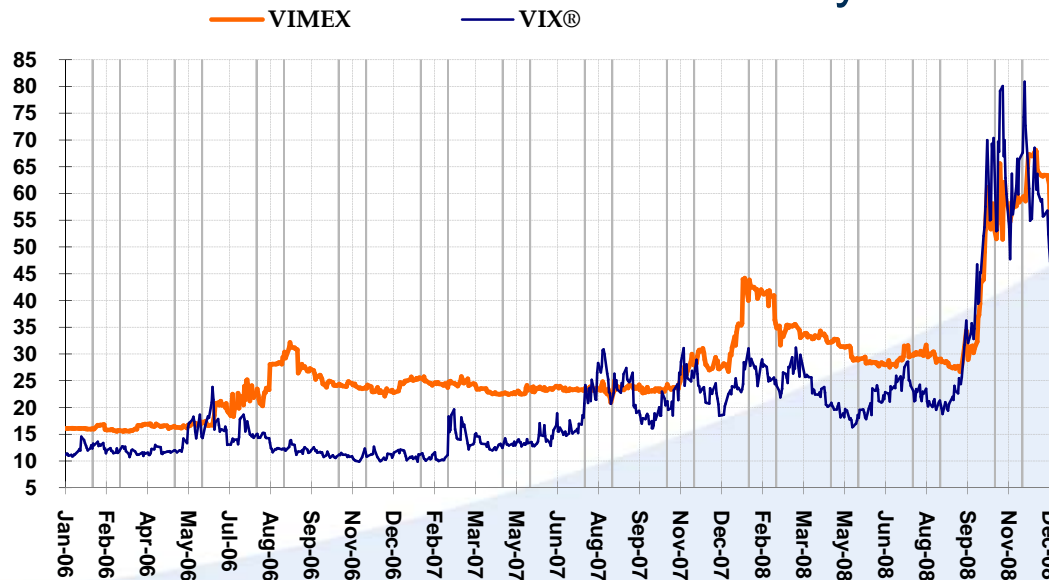
OI Distribution December 2005



Percentage of the Open Interest
Source: Asigna

■ Trading & Clearing Members
■ Institutional
■ Foreigners & Other participants

Volatility Index Mexico (VIMEX) vs VIX®



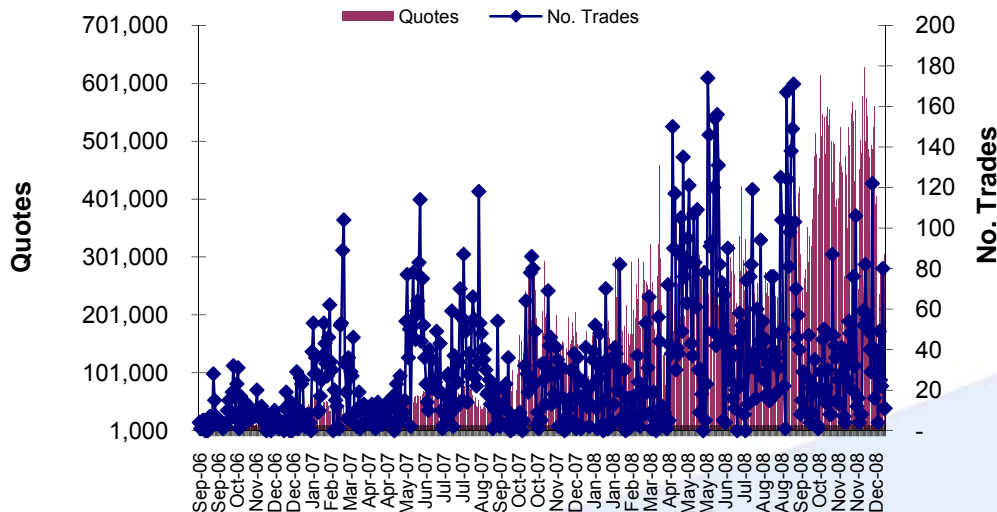
VIX® is a registered trademark of Chicago Board of Options Exchange, Incorporated.

Options on the IPC Future

- Liquidity - Constant bids and asks in the front maturities and in a wide range of strike prices (over 500,000 quotes daily).
- The number of participants doubled last year.
- For 2008, volatility for the IPC index was 38.73% on average

MexDer	IP
Ticker Symbol:	IP
Style:	European
Size:	IPC x \$10 MXP
Tick:	1 point
Maturity Months:	Quarterly, up to one year
Settlement:	Cash
Trading Hours:	07:30 - 15 hrs. (GMT -06:00)
Bloomberg < MMDD >	ISA <INDEX> OMON
Reuters MXN/FUTEX1	0#IPC*.XD:

Orders and Trades in Options Markets



- IPC Options were launched on March 2004.
- On December 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.

Structural Changes 2006-2007

- Give Ups.
 - FIA standard agreement.
- Omnibus Accounts with segregation (CFTC Rule 30.7)
- CFTC No-Action Letters (IPC futures & screens).
- FIX Access.
- Collaterals accepted in the US.
- More local participants (Pension & Mutual Funds).

Tax treatment for Foreigners



- Capital gains in **fixed income derivatives** traded in **MexDer** are **not subject to withholding taxes!** (Since 2006)
- **Includes:**
 - Fixed income: CETES, M Bonds and TIE Futures.
 - Futures and Options on the Mexican Stock Exchange Index (Equities) are tax free.
 - Single Stocks Options are not subject to withholding taxes.(2008)

Segregation

- In accordance to the CFTC's rule 30.7, two accounts are allowed:
 - One for Proprietary trading.
 - One for Customer trading.

Final Remarks

Final Remarks...

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

What makes MexDer so attractive?

Volatility Trading

Arbitrage Opportunities

100% Electronic Trading

Liquidity

No withholding taxes

OTC – Credit Limitations – Migration to Listed Markets

Give ups

**MexDer, The leading market place for trading derivatives
on Mexican benchmarks.**

How to participate in MexDer through Interactive Brokers

Introducing Cynthia Tomain for Interactive Brokers