



Minutes

November 29, 2022

Seventeenth meeting of the Mexican Foreign Exchange Committee

Mexico City, Tuesday, November 29, 2022

Location: The meeting was held by videoconference at 4:00 p.m., Mexico City time.

Host: Bank of Mexico.

Attendees:

Members

Gerardo Israel García López – President, Bank of Mexico.

Juan Rafael García Padilla, Bank of Mexico.

Mayte Rico Fernández, Bank of Mexico.

Alejandro Faesi Puente, Grupo Financiero Banorte, S.A.B. de C.V.

Alfredo Llano Miranda, Afore XXI-Banorte, S.A. de C.V.

Allan Muñoz Parra, Coca-Cola FEMSA, S.A.B. de C.V.

Andrés de Oteyza, CitiBank NY.

Eduardo Riba Aspe, Enlace Int, S.A. de C.V.

Fidel Martínez San Martín, Grupo Financiero Citibanamex, S.A de C.V.

Gilberto Romero Galindo, Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve Por Más.

Guillermo Andrés Moreno Arias, Afore Sura, S.A. de C.V.

Juan Badía Alonso, Banco JP Morgan, S.A., Institución de Banca Múltiple, JP Morgan Grupo Financiero.

Juan Carlos Escalera Amigo, Refinitiv.

Luis Antonio Betancourt Barrios, Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México.

Luis Eugenio Alvarado Mejía, Asociación de Bancos de México (ABM).

Luis Manuel Murillo Peñaloza, Valores Mexicanos Casa de Bolsa, S.A. de C.V

Manuel Alejandro Meza Piza, BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.

Pedro Oscar Arroyo Espinoza, Monex Grupo Financiero, S.A. de C.V.

Stine Moller-Hansen Secher, Nacional Financiera, S.N.C., Institución de Banca de Desarrollo.



Xavier Ormaechea Jaureguí, Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.

Guests

Ximena Alfarahe Morales, Bank of Mexico.

Pilar María Figueredo Díaz, Bank of Mexico.

Carlos Miguel Vélez Martínez, Bank of Mexico.

Diego Rafael Toledo Polis, Bank of Mexico.

Laura Odilia Rojas Barrera, Bank of Mexico.

Jorge Álvarez Rivero, Bank of Mexico.

AGENDA

1. Welcome

The President of the Committee welcomed all attendees of the seventeenth meeting of the Mexican Foreign Exchange Committee (MFXC).

In addition, the President welcomed Juan Badía Alonso, from Banco JP Morgan, S.A., Institución de Banca Múltiple, JP Morgan Grupo Financiero.

2. Developments in global and local FX markets

Developments in global and local foreign exchange markets were discussed, emphasizing Mexican peso's year-to-date dynamics, as well as the drivers behind its performance and prospects towards 2023.

In this regard, it was reiterated that both macroeconomic and technical factors have supported the resilience of the Mexican currency, highlighting among such factors: the country's fiscal and external position, lower idiosyncratic risks in relative terms to other EMEs, coupled with the cycle of interest rate hikes by Bank of Mexico.

Additionally, it was mentioned that the Mexican peso's market share in the global FX market has decreased in recent years, which has coincided with an increase turnover and market share from other EM currencies. The aforementioned dynamics, together with Mexican peso's risk-adjusted interest rate differential, has led to a declining use of said currency as a hedging instrument.

Regarding market conditions of the Mexican peso, Committee members pointed out that they continue to be stable, even showing a slight improvement in recent months, reaching pre-pandemic levels.



Finally, members offered their outlook on the Mexican currency for the coming year, on this matter the members agreed that the currency's stability is expected to continue, albeit acknowledging certain risks towards the second half of 2023.

3. Developments and progress of the Global Foreign Exchange Committee (GFXC)

Members of the Committee discussed the main topics of the last GFXC meeting, held on June 27 and 28, 2022. In detail, emphasis was again placed on the endorsement of adherence to the FX Global Code, as well as on possible measures to encourage its adoption by "buy side" entities. Likewise, alternatives were discussed for greater transparency in the use of algorithms, and the implementation of the use of Disclosure Cover Sheets (as defined in the FX Global Code).

On the other hand, the need for changes to the GFXC website was mentioned. Furthermore, the different working groups and work plans for next year were announced.

Subsequently, a particular update was offered on the Motivation for Adherence Working Group, mentioning that it is working on measures to encourage adherence to the Code, including, notably: seminars regarding the Code, visits to market participants, and the publication of more case studies.

Finally, the agenda for the next meeting of the aforementioned Global Committee was detailed, which will be held via videoconference on December 5 and 6, 2022.

4. 2022 Triennial BIS survey

The relevance and magnitude of the survey were commented. This survey involved the participation of 52 local jurisdictions, which collected information from more than 1,200 banking institutions and other financial intermediaries.

Likewise, the main details of the survey were mentioned, highlighting a 14% increase in global foreign exchange markets' turnover, compared to the 2019 survey. Also, it was highlighted that the US dollar continues to be the most traded currency, with 88% of participation in foreign exchange operations globally.

In regard to the Mexican peso, it stands out as the sixteenth most traded currency globally, and the third amongst developing countries.

Finally, additional details were presented on the volume traded on electronic platforms, highlighting the continuing trend towards the global electrification and fragmentation of the foreign exchange market.



5. The FX Global Code in Mexico and around the world, Update

It was reaffirmed that the GFXC expected foreign exchange market participants to endorse their Statements of Commitment no later than July 2022. The former, would also be implemented by the MFXC; therefore, Committee members were invited to follow this recommendation.

Furthermore, it was reported that Bank of Mexico endorsed its adherence to the FX Global Code in November 2022, in addition to having published the new changes to said Code in August 2022, through a modification to the 22/2017 regulation (Circular 22/2017 from Bank of Mexico). Finally, a call was made for Mexican foreign exchange market institutions to endorse their statements of commitment no later than December 31, 2022 .

6. Any other business

It was proposed that the next meeting of the Committee be held in February 2023, and it was announced that starting next year the meetings are planned to be held in a hybrid manner, in such a way that the February meeting would take place virtually and the other two meetings would be held in person at Bank of Mexico's facilities, or those of Committee members.