



Minutes

March 3, 2022

Fifteenth meeting of the Mexican Foreign Exchange Committee

Mexico City, Thursday, March 3, 2022

Location: The meeting was held by videoconference at 04:00 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 Puig Franco, Vector Casa de Bolsa, 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.

Gerardo Vargas Pérez, J.P. Morgan Grupo Financiero, 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 Carlos Escalera Amigo, Refinitiv.

Leonardo Franco Villa Reynolds, Afore XXI-Banorte, S.A. de C.V.

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

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

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

Manuel 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.

Rafael Buerba Gómez, Santander Asset Management.

Sergio Méndez Centeno, BlackRock México.



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

Tomás Acosta Álvarez, CitiBanamex Afore, S.A. de C.V., Integrante del Grupo Financiero CitiBanamex.

Tomás Noriega Noriega, Monex Casa de Bolsa, S.A. de C.V., Monex Grupo Financiero.

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

Guests

Joaquín Tapia Macías, Bank of Mexico.

Ximena Alfarache Morales, Bank of Mexico.

Pilar María Figueredo Díaz, Bank of Mexico.

Luis Murray Arriaga, Bank of Mexico.

Carlos Miguel Vélez Martínez, Bank of Mexico.

Diego Rafael Toledo Polis, Bank of Mexico.

Izamar Andreina Sistos Juárez, Bank of Mexico.

AGENDA

1. Welcome

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

In addition, the President welcomed Gerardo Vargas Pérez, from J.P. Morgan Grupo Financiero, S.A. de C.V.

2. Developments in global and local FX markets

Developments in global and local foreign exchange markets were discussed, emphasizing the important correction observed in emerging countries' financial assets given the recent developments in the geopolitical conflict between Russia and Ukraine. Likewise, the regional differentiation among emerging market currencies' dynamics was highlighted, as well as the Mexican peso's recent performance. Subsequently, it was mentioned that despite the uncertain global environment, Mexican peso's trading conditions had remained stable, although an increase in both implied volatility and risk-reversals in foreign exchange options was observed.



Furthermore, it was noted that trading conditions in e-FX platforms seem to have maintained a good trading dynamic for all currencies.

On the other hand, emphasis was placed on the high correlation that the Mexican peso maintains with global risk sentiment, where episodes of increased volatility in the Mexican currency cannot be ruled out, especially considering the beginning of the monetary policy normalization process by the Federal Reserve of the United States of America.

Finally, members of the Committee discussed the increase in geopolitical risks that the aforementioned conflict represents, which seems to further deteriorate inflation expectations for emerging market economies. Regarding local developments, the discussion focused on the Mexican peso's recent shown stability, as well as the main factors that have supported such dynamics.

3. Global Foreign Exchange Committee (GFXC) December meeting recap

Members of the Committee discussed the main topics of the last GFXC meeting, highlighting the appointment of Andrea M. Maechler as Committee Chair and the nomination of Stefanie Holtz-Jen as Co-Vice Chair.

Regarding market conditions, it was mentioned that at said meeting, Richard de Ross presented and summarized the material received by Local Committees, highlighting the uncertainty related to COVID-19, the fact that liquidity in spot markets has shown an orderly behavior, as well as an environment of contained volatility.

Separately, it was detailed that during the December meeting, an update was provided on the introduction of Disclosure Cover Sheets for liquidity providers and e-FX platforms. Accordingly, the working group in charge of this project anticipated that more institutions would publish their Disclosure Cover Sheets during 2022 and it further agreed to continue monitoring the adoption and effectiveness of said cover sheet. Additionally, the agreement to develop guidelines intended for buy-side institutions was reiterated, in particular it is expected to further detail the applicable principles most suitable for those institutions.

Finally, a recap was provided on a meeting held by the GFXC President, Andrea M. Maechler, the MFXC President, Gerardo García, and the private sector's representative of the MFXC, Manuel Meza, Head of Global Markets at BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México (BBVA México). In this regard, Mexico's relevance in the global foreign exchange market was reiterated, as well as other relevant issues, such as markets development, the adoption of the FX Global Code from buy-side participants. Finally, it was mentioned



that in the short term, Bank of Mexico will request support from financial industry associations to address local foreign exchange markets' settlement risk in greater depth.

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

It was reiterated that the GFXC expects FX market participants to endorse their Statements of Commitment no later than July 2022. The former will also be expected by the MFXC, accordingly the present members were asked to abide by this recommendation.

As a follow up from the previous Committee meeting, the results of the buy-side participants survey were presented. This survey was conducted between December 13 and 17, 2021. The survey's main goal was to better understand the incentives, obstacles and the awareness that this type of participants have in relation to their adherence to the FX Global Code.

In this context, it was further agreed that the Committee and Bank of Mexico will promote collaboration with associations, industrial chambers and market participants in order to generate greater awareness of the Code through events and other initiatives, with a particular emphasis on pension and investment funds.

Finally, the Bank for International Settlements (BIS) Triennial Survey on volumes traded in the foreign exchange and derivatives markets for 2022, which will start next month. On this regard, the context of said survey was described in detail to the Committee members adding relevant information on previous surveys' results and emphasizing that this one is the most important survey of its kind.

5. Any other business

It was proposed that the next meeting of the Committee to be held on June 9, 2022. In addition, regarding the the Committee's third meeting of 2022, it was suggested for this topic to be discussed at a later stage.