COMITÉ DEL MERCADO CAMBIARIO MEXICANO

Minutes

November 25, 2025

Twenty-third meeting of the Mexican Foreign Exchange Committee

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Mexico City, Tuesday, November 25, 2025, 4:00 p.m.
Location: The meeting was held by videoconference.
Host: Bank of Mexico.

Attendees:

<u>Members</u>

Gerardo Israel García López – President, Bank of Mexico.
José Andrés Jiménez Guerra, Bank of Mexico.
Diego Rafael Toledo Polis, Bank of Mexico.
Alejandro Faesi Puente, Grupo Financiero Banorte, S.A.B. de C.V.
Allan Muñoz Parra, Coca-Cola FEMSA, S.A.B. de C.V.
Carlos Alberto Kretschmer Prado, Intercam Banco, S.A., Institución de Banca Múltiple, Intercam Grupo Financiero.
César David Vives Flores, Ministry of Finance and Public Credit.
Gilberto Romero Galindo, Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve Por Más.
Juan Carlos Escalera Amigo, LSEG.
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 Alejandro Meza Pizá, BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.
Mayte Rico Fernández, HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión.
Pedro Oscar Arroyo Espinoza, Monex Grupo Financiero, S.A. de C.V.
Rafael Buerba Gómez, Santander Asset Management.
Sergio Méndez Centeno, Blackrock México.
Xavier Ormaechea Jáuregui, Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.

Guests
Adán Hernández Garate, 360 Trading Networks, Inc. (México).
Alberto Armijo Jardines, Afore Banamex.
Alfredo Llano Miranda, Afore XXI Banorte.
Joaquín Tapia Macías, Bank of Mexico.
Rodrigo Cano Jauregui Segura Millan, Bank of Mexico.
María Teresa Muñoz Arámburu, Bank of Mexico.
Dafne Ramos Ruiz, Bank of Mexico.
Pilar María Figueredo Díaz, Bank of Mexico.
Ximena Alfarache Morales, Bank of Mexico.
Carlos Miguel Vélez Martínez, Bank of Mexico.
Luis Murray Arriaga, Bank of Mexico.
Santiago García Verdú, Bank of Mexico.
Sara Gabriela Castellanos Pascacio, Bank of Mexico.
Pablo Alejandro Casas Rábago, Bank of Mexico.
Mariel Padilla Lujano, Bank of Mexico.

AGENDA

1. Welcome

The President of the Committee welcomed the attendees of the twenty-third meeting of the Mexican Foreign Exchange Committee (MFXC).

2. Recent developments in global and local FX markets

The Committee discussed the recent environment of U.S. dollar weakness, which has supported the positive performance of most global currencies during the current year. In this regard, it was noted that the appreciation of the Mexican peso has been driven more by global factors and the U.S. dollar's dynamics than by idiosyncratic developments.

On the other hand, some members highlighted the recent improvement in global risk sentiment, as well as the decline in volatility levels across various financial assets. In this context, a continued differentiation has been observed between the performance of currencies with high and low risk-adjusted interest rate differentials. Specifically, it was noted that the Mexican peso's risk-adjusted carry remains attractive, which has supported its performance under favorable external conditions.

Data on net positioning in the U.S. dollar in futures markets, as reported by the U.S. Commodity Futures Trading Commission (CFTC), was presented. The data shows a reduction in net long dollar positioning, which is mainly offset by increased positioning in major advanced economy currencies such as the euro and the Japanese yen. It was noted that net positioning in the Mexican peso has increased gradually throughout the year, while still remaining below 2024 levels.

Finally, the Committee discussed the decline in foreign participation in Mexican peso-denominated financial assets in recent years, which has been offset by an increase in holdings by Mexican pension funds. It was observed that the reduction in foreign holdings of local-currency instruments is not unique to Mexico; rather, it is a widespread trend across emerging markets. This trend is indicative of a shift in the balance of risks for emerging market (EM) currencies and the expansion of investment alternatives.

3. <u>Determinants and outlook of exchange rate volatility: Implications for risk management and the functioning of the derivatives market.</u>

The Committee examined the key drivers of foreign exchange volatility, with a focus on valuation dynamics, liquidity conditions, and expectations of exchange rate movements.

Regarding valuation, members noted the importance of identifying price deviations that may signal heightened future volatility. This should be complemented by macroeconomic analysis and an assessment of currency performance relative to peers. Members emphasized the pivotal role of liquidity conditions, and the need for a comprehensive evaluation through both absolute metrics for specific currency pairs and relative comparisons across currency markets. Additionally, certain factors—such as economic shocks, monetary policy decisions, and external risk events—may influence expectations in FX markets and, consequently, market volatility.

Regarding the Mexican peso, members noted that the currency's current level reflects macroeconomic fundamentals, the recent weakness of the U.S. dollar, and liquidity and market-depth conditions, which tend to be more influenced by flow related factors than on external variables.

4. <u>Operational resilience and cybersecurity in the foreign exchange market: progress and challenges</u>

Initially, the Committee members discussed the conceptual framework of operational resilience in FX markets, defined as the ability of institutions, platforms, and liquidity providers to maintain market continuity and stability in the face of technological failures, cyberattacks, human errors, or external disruptions. Members also emphasized that cybersecurity in FX markets encompasses the set of measures, controls, and technologies designed to protect electronic price streams, orders, and data from unauthorized access, manipulation, or malicious disruption.

Finally, members noted that while operational resilience ensures process continuity, cybersecurity ensures process protection. These pillars are crucial for safeguarding market integrity and price stability, especially given the high degree of electronification and fragmentation in FX market activity. The Committee highlighted the significance of robust infrastructure, ongoing training, and effective governance and monitoring frameworks to ensure resilience for all market participants.

5. Discussion on global technological trends: stablecoins

The Committee discussed recent global trends in the development and use of stablecoins. It was noted that while stablecoins were introduced in 2014, their adoption has seen a notable surge in recent years, with outstanding amounts nearing USD 308 billion. Members highlighted that various projections anticipate sustained rapid growth, particularly following the approval in the United States of the GENIUS Act (Guiding and Establishing National Innovation for U.S. Stablecoins Act).

Potential advantages of stablecoins were noted, including operational efficiency, cost reductions, and faster payment and settlement processes, which could facilitate transitions from T+2 to T+1 settlements or even atomic settlement. Members also emphasized programmability features, which may enable specific-purpose use cases.

However, several risks and challenges were identified. These include potential disruptions to traditional bank funding, as stablecoins could attract resources currently directed to bank deposits. Members also noted the importance of the quality and resilience of underlying assets, particularly in the U.S., to ensure stablecoin soundness.

It was highlighted that these developments may have implications for FX markets, especially in countries with close economic ties to stablecoin issuers or with more vulnerable exchange-rate regimes. Argentina was mentioned as an example of a country where stablecoin usage is already more widespread.

In the course of the discussion, questions regarding the frequency and purpose of stablecoins usage in Mexico were raised. It was noted that there have been observable effects in the remittances market, with increased participation by fintech firms offering more competitive cost structures. This trend has driven traditional banks to invest in technological upgrades. Members also mentioned increasing use of these instruments for cash-management purposes across Latin America.

6. Global Foreign Exchange Committee (GFXC)

The Committee received an update on the work of the Global Foreign Exchange Committee (GFXC) in 2025. Following the release of the updated version of the FX Global Code in January, members were informed that jurisdictions were invited to renew their Statements of Commitment. Since the December 2024 meeting, 44 additional entities have signed the Statement, with a particular focus on adherence in the Middle East, Africa, and Asia. Translations of the Code into several languages, including the Spanish version prepared by Banco de México, were published.

Updates were presented on the GFXC's working groups. *The FX Settlement Risk Working Group* has been analyzing the implications of the transition to T+1 settlement across different jurisdictions. This group has also reported on ongoing efforts to align data collection between the Bank for International Settlements (BIS) Triennial Survey and semiannual surveys. The goal of these efforts is to reduce reporting burdens. A collaboration among the FX Settlement Risk Group with the BIS and the Committee on Payments and Market Infrastructures (CPMI) for a joint publication on this topic was also announced.

The *FX Data Working Group* focused on reviewing the availability and robustness of reference rates used for derivative operations, with a particular focus on FX swaps. The group also analyzed the adoption of the updated Disclosure Cover Sheets. It was noted that while reference rates are widely used and follow sound methodologies, their reliability may be constrained during stress episodes. The *Motivation for Adherence Working Group* has expanded its outreach to asset managers, hedge funds, corporates, and academia, and has developed a corporate-participant outreach letter, which is now available in Spanish.

The Committee reviewed topics discussed at the most recent GFXC meeting, including progress on the International Organization of Securities Commissions (IOSCO) report on pre-hedging practices, and considerations regarding the rapid growth of stablecoins. The Committee acknowledged both potential settlement efficiencies and remaining challenges. The members engaged in a discussion of the current state of FX liquidity conditions highlighting the recent FX market resilience, the increasing market fragmentation, and the role of internalization. It was also agreed upon that the GFXC mandate will span three years and be aligned with the Code-review cycle.

Finally, the agenda for the next GFXC meeting and priorities for 2026 were presented, including the establishment of a new Technology and Innovation Working Group to monitor market-relevant developments. The creation of the GFXC Partner Network was also announced. This initiative is designed to strengthen the Code's visibility through collaboration with industry associations.

7. Mexican Foreign Exchange Committee (MFXC)

MFXC members were informed that the number of entities adhering to the Code in Mexico remained at 91, while globally, the number of registrations increased from 1,335 to 1,339.

8. Results of the Bank for International Settlements (BIS) Triennial Survey – 2025

The Committee reviewed preliminary results from the 2025 Triennial Survey conducted by the Bank for International Settlements (BIS), which remains the primary source of information on the size and structure of global FX markets and OTC derivatives markets.

It was noted that the data published on September 30, 2025, show that global FX turnover increased by 28% relative to the 2022 survey, reaching a daily average turnover of USD 9.6 trillion. Members highlighted that the April 2025 survey period coincided with elevated FX volatility and increased trading activity following trade-policy announcements made earlier that month by several key jurisdictions.

The composition of turnover by instrument remained relatively stable, with spot transactions (31%) and FX swaps (42%) remaining the most relevant segments. Members noted increased trading in forwards and FX options, reflecting a stronger demand for hedging during the volatility episodes observed in April, 2025.

The Committee discussed the distribution of turnover by geography and currency, highlighting that the U.S. dollar remained the most traded currency globally. Members emphasized the relevance of the Mexican peso, whose global turnover increased by 35% relative to 2022, reaching approximately USD 153 billion in daily average turnover in 2025.

Next, the Committee then reviewed key results for the Mexican FX market. Local turnover in the Mexican peso averaged approximately USD 28 billion per day, representing a 34% increase relative to 2022. It was noted that 82% of all Mexican peso-related transactions take place outside Mexico, unchanged from the previous survey.

Finally, members highlighted the continued electronification and fragmentation of the local FX market, with 89% of activity executed through electronic platforms. Consistent with global trends, hedge funds and institutional investors maintain a significant presence in the Mexican peso trading.

9. Any other business

Finally, it was proposed that the next meeting of the Committee be held in April 2026, and it was noted that the meeting is planned to take place in person, either at Banco de México's premises, or at those of a Committee member.