



Minutes

April 8, 2025

Twenty-second meeting of the Mexican Foreign Exchange Committee

Mexico City, Tuesday, April 8, 2025, 4:30 p.m.

Location: Av. Paseo de la Reforma 510, colonia Juárez, C.P. 06600, Alcaldía Cuauhtémoc, Mexico City.

Host: BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.

Attendees:

Members

Gerardo Israel García López – President, Bank of Mexico.

José Andrés Jiménez Guerra, Bank of Mexico.

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

Alfredo Puig Franco, Vector Casa de Bolsa.

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.

Eduardo Gómez Macías, Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero, S.A. de C.V.

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

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 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 Pizá, BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.

María del Carmen Bonilla Rodríguez, Ministry of Finance and Public Credit.

Mayte Rico Fernández, HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión.

Uso Público

Información de acceso público.



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

Guests

Adán Hernández Garate, 360 Trading Networks, Inc. (México).

Erik Mauricio Sánchez Medina, Bank of Mexico.

Rodrigo Cano Jauregui Segura Millan, Bank of Mexico.

María Teresa Muñoz Arámburu, Bank of Mexico.

Pilar María Figueredo Díaz, Bank of Mexico.

Luis Murray Arriaga, Bank of Mexico.

Diego Rafael Toledo Polis, Bank of Mexico.

Mariel Padilla Lujano, Bank of Mexico.

Carlos Miguel Vélez Martínez, Bank of Mexico.

AGENDA

1. Welcome

The President of the Committee welcomed all the attendees of the twenty-second meeting of the Mexican Foreign Exchange Committee (MFXC). He also thanked Manuel Alejandro Meza Pizá, representing BBVA México, for his support in organizing and hosting the meeting, and expressed his gratitude to the Committee members for their presence.

In addition, the President welcomed Carlos Alberto Kretschmer Prado from Intercam Banco, S.A., Institución de Banca Múltiple, Intercam Grupo Financiero as new member of the Committee.

2. Recent developments in global and local FX markets

Exchange rate dynamics were discussed in an environment of high volatility caused by the tightening of the United States of America (U.S.) trade policy. One of the main observations was the resilience that the Mexican peso has shown. Furthermore, it was noted that, despite the uncertainty and the price adjustments observed on days with significant news, trading conditions have remained stable with no signs of deterioration.

The weakness of the U.S. dollar, which reflects concerns about a possible slowdown in the U.S. economy, was mentioned as one of the factors contributing to the good

performance of the USD-MXN exchange rate. Likewise, it was noted that the technical position, which is currently in neutral territory, has supported the currency's stability.

The information presented indicated that, despite the current context, volatility levels have remained below those observed following the elections in Mexico and the U.S. Emphasis was placed on the fact that no pressure has been seen in U.S. dollar funding conditions, particularly in implied yields, whose curve is inverted, anticipating additional rate cuts by the Bank of Mexico.

Finally, various factors that could influence the future performance of the Mexican peso were discussed. In particular, the narrowing of the interest rate differential between Mexico and the United States was noted, the potential impact of a slowdown in the U.S. economy and the relevance of the evolution of the local fiscal outlook.

3. Portfolio management: challenges and opportunities in the current environment

Given the current situation, the MFXC dedicated part of the meeting to discuss investment portfolio management, with a particular focus on hedging strategies. It was noted that, in practice, asset managers often opt for partial hedging, determining both the degree of hedging for their foreign exchange exposures and the investment vehicle to be used.

It was mentioned that, considering asset volatility, exposure from positions in government bonds tends to be fully hedged, whereas the opposite is typically observed for equity investments. However, it has recently been questioned whether maintaining a high foreign exchange exposure associated with equity positions remains the optimal strategy. This is due to the strong appreciation of the Mexican peso in recent years and the evolving dynamics in its correlation with U.S. equities, which have increased the benefits of hedging.

In this regard, it has become relevant for portfolio managers to incorporate their outlook on exchange rate trends and interest rate differentials into their portfolio optimization, and to consider dynamic strategies that adapt to the context. MFXC members commented that the current exchange rate levels are consistent with the Mexico's economic fundamentals. However, they emphasized the importance of closely monitoring the performance of the U.S. dollar, which could continue to weaken amid less optimistic prospects for the U.S. economy.

Finally, the role of the U.S. dollar as a safe-haven asset was discussed, as it has recently begun to be questioned. In the current context, there is also ongoing debate over whether some central banks will seek to diversify their exposure to U.S. dollar-

denominated assets. On this topic, it was noted that, in practice, diversifying international reserves could be challenging, as U.S. markets still offer the best trading conditions globally.

4. Technological innovation, digitalization in the foreign exchange market and implications for the trading activity of the Mexican peso

On this matter, the discussion focused on the approach of electronic trading platforms, which dedicate a significant portion of their resources to the resilience of their operating systems. This approach becomes especially important during periods of heightened volatility, such as the current one, where trading volumes can increase significantly.

In terms of technological innovation, the diversification of services offered by these platforms was highlighted, as they seek to adapt to the different needs of clients. In this context, the concept of “open platforms” that allow the integration of different technologies and the full automation of operational workflows has become increasingly relevant. Emerging trends mentioned included: 1) the electronification of derivatives trading for terms longer than one day; 2) the automation of transaction cost calculation; 3) the standardization of post-trade analysis, and 4) the development of new trading methods that minimize signals detectable by algorithms.

Lastly, some recent innovations that have fostered the healthy development of the foreign exchange market were discussed. First, the development of trading systems that enhance transparency and reduce the operational burden of post-trade activities was highlighted. It was then emphasized that technological advancements have enabled trading during previously inaccessible hours, contributing to more effective risk management. Furthermore, the electronification of markets has expanded access to a broader range of liquidity sources, contributing to improved pricing, and has also supported the gradual development of algorithmic trading.

5. Global Foreign Exchange Committee (GFXC)

This section covered the recent updates to the FX Global Code of Conduct (the Code). MFXC members were informed that during 2024, the Global Foreign Exchange Committee (GFXC, Global Committee) focused its efforts on the three-year review of the Code, taking into account the recommendations of the Bank for International Settlements (BIS) Markets Committee, as well as feedback from local foreign exchange committees and various industry participants.



It was pointed out that the periodic review of the Code is intended to ensure that it continues to serve as an appropriate guide to best practices in the foreign exchange market, contributing to its proper functioning. It was shared that on this occasion, a comprehensive review of the Code was not deemed necessary, and only five out of the 55 principles were amended. These principles are 9, 10, 35, 50 and 51.

Amendments to the Code focused on two main areas. On one hand, to strengthen the guidelines for mitigating foreign exchange settlement risk. On the other, to promote greater transparency in certain foreign exchange transactions known as “delegated execution,” and with respect to the use of data generated by clients when trading on electronic platforms. Consequently, it was necessary to update the Disclosure Cover Sheets for liquidity providers and electronic platforms—available on the GFXC website—to include a section outlining their policies on the use of such data.

In addition, three examples were added to Annex 1 and two definitions to the Glossary, aligned with the changes to the aforementioned principles. The GFXC also decided to include in the Preamble of the Code the links to some of the reports that the Committee has published. Although these documents are not part of the Code itself, their inclusion facilitates a deeper understanding of certain principles, such as Principle 11 and Principle 17.

MFXC members were informed that the GFXC recommended that all market participants review the amendments to the Code and consider renewing their Statement of Commitment, having regard to the nature and relevance of the updates to their foreign exchange market activities. The Committee considered that a timeframe of up to 12 months, from the publication of the new version of the Code, would be reasonable for those affected by the changes to align their practices with the Code and adopt the new Disclosure Cover Sheets.

Finally, it was mentioned that Regulation 22/2017 issued by Bank of Mexico will be updated to include the official Spanish translation of the new version of the Code. The regulation will state that local entities will have until April 30, 2026, to review the amendments to the Code and to complete the process of renewing their Statement of Commitment.

6. 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 1,325 to 1,335.

7. Bank for International Settlements (BIS) triennial central bank survey of foreign exchange and OTC derivatives markets - 2025

It was announced that the BIS triennial survey officially began on April 1, 2025. Moreover, it was informed that Bank of Mexico successfully concluded a trial with participating institutions, acknowledging that the new section on foreign exchange settlement risk had presented some challenges.

The importance of this survey was highlighted, as it serves as the most comprehensive source of information on the size and structure of the global foreign exchange and the over-the-counter (OTC) derivatives markets. The participating entities were thanked for their collaboration. To conclude, the BIS calendar outlining the key dates for this exercise was presented. In this regard, it was noted that updated references on the foreign exchange and OTC derivatives markets would be available towards the end of the current year.

8. Any other business

The President of the Committee introduced Alejandro Faesi Puente as the new private sector representative for Mexico on the GFXC. He thanked Manuel Alejandro Meza Pizá for his work and contributions over the past two years, who in turn expressed his gratitude for having the opportunity to represent the country.

Finally, the Committee members were informed that the next meeting is scheduled to take place in August 2025.