



## Minutes

May 23, 2023

### **Eighteenth meeting of the Mexican Foreign Exchange Committee**

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Mexico City, Tuesday, May 23, 2023

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.

**Alejandro Aguilar Ceballos**, Operadora de Fondos Banorte, Sociedad Operadora de Fondos de Inversión, Grupo Financiero Banorte.

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

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

**Alfredo Puig Franco**, Vector Casa de Bolsa.

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

**Andrés de Oteyza**, CitiBank NY.

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

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

**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 Piza**, 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.

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

**Publicada-Uso General**

Información que ha sido publicada por el Banco de México



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

### **Guests**

**Pilar María Figueredo Díaz**, Bank of Mexico.

**Carlos Miguel Vélez Martínez**, Bank of Mexico.

**Luis Murray Arriaga**, 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 eighteenth meeting of the Mexican Foreign Exchange Committee (MFXC).

In addition, the President welcomed Mayte Rico Fernández from HSBC Global Asset Management (México), S.A. de C.V., Sociedad Operadora de Fondos de Inversión, and Eduardo Gómez Macías from Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero, S.A. de C.V., as new members of the Committee.

#### 2. Developments in global and local FX markets

Developments in global and local foreign exchange markets were discussed, where Mexican peso's resilience during 2023 was emphasized, despite several latent global risk factors.

In this regard, it was noted that the main risk factor was the debt ceiling negotiations in the United States. Additionally, certain events around the regional banking sector in said country were also noted, emphasizing that its impact seems to be limited to that sector. Finally, market's attention to the developments and trajectory of the Federal Reserve of the United States' monetary policy, as well as to global growth prospects, were also highlighted.

Regarding the Mexican peso, it was emphasized that both macroeconomic and technical factors have supported the currency. Among these factors, the cycle of interest rate hikes by Bank of Mexico, the fiscal and external position of the country,

lower idiosyncratic risks in relative terms, as well as the possible relocation of production chains to Mexican territory (“nearshoring”) were pointed out, although the latter has not been completely reflected in economic figures so far.

In addition, it was mentioned that a strengthening of the US dollar against most currencies is anticipated, mainly due to the economic recovery in China (which fell below expectations), as well as a more cautious than anticipated adjustment of the monetary policy by the Federal Reserve of the United States. However, members agreed that the stability of the Mexican currency is expected to continue, at least for the next two quarters.

On other issues, the main drivers in the Mexican peso forward implied funding market were analyzed, mentioning that it is largely due to the important actions taken by monetary authorities to stimulate economic activity through liquidity provision. In this regard, it was mentioned that this situation is being aggravated by some factors of uncertainty, such as the debt ceiling in the United States, among other factors.

### 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 December 5 and 6, 2022. In detail, Simon Manwaring’s (Global Director of Operations and Sales at Natwest) election as Co-Vice President for a period of two years was approved, succeeding Richard de Ross (Standard Bank).

Likewise, it was emphasized that during the June 2023 meeting of the GFXC, additional discussions will take place regarding FX settlement risk, particularly whether such issue should be included in the next revision of the FX Global Code.

Subsequently, a particular update was given on the Motivation for Adherence Working Group, where it was mentioned that said group conducted a survey, which found that the time commitment required to adhere to the Code was a crucial factor in certain segments of the *buy-side*. Likewise, this survey showed that it would be useful to foster a better understanding of the tangible benefits of adhering to the aforementioned Code.

On the other hand, a particular update was offered on the Proportionality Working Group, where the Digital Proportionality tool, in its pilot phase, was released. This tool will help market participants with less complex activities in the foreign exchange



market to focus their adherence efforts on the Principles of the Code most relevant to them.

Also, there was discussion about reducing the scope of the concept of “Data availability”, in order to include it in the next Code review. Specifically, it was mentioned that this concept could be included to foster and enhance transparency in both the use and access to information.

Finally, the agenda for the next meeting of the Global Committee was detailed, which will be held in person and via videoconference in Mexico City on June 1 and 2, 2023.

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

Emphasis was placed on the efforts of Banco de México to increase awareness of the FX Global Code, particularly noting that the renewal of the Statement of Commitment to the Code of practically all the previously adhered entities was achieved.

#### 5. Any other business

It was proposed that the next meeting of the Committee be held in November 2023, and it was informed that the meeting is planned to be held in person, either at Bank of Mexico’s facilities, or those of Committee members.