

## **CHAPTER SIX SETTLEMENT OF TRANSACTIONS**

### **PART ONE DAILY SETTLEMENT**

#### **600.00.**

The Clearinghouse will verify each day at 4:35 P.M. that it has received all information regarding all transactions, before beginning to calculate the Daily Settlement.

#### **601.00.**

Clearing Members may contribute Margin securities to the General Securities Account through the SAVAP, during a trading session between 9:00 A.M. and 3:45 P.M., and the deposits will be entered according to the hours established by S.D. Indeval, S.A. de C.V., in order to be included in the calculation of the Daily Settlement or, eventually, in the calculation of the Extraordinary Settlement.

#### **602.00.**

Clearing Members shall pay the Daily Settlement in cash to the Clearinghouse in the form of payment orders sent through Banco de México's extended-use electronic payment system, or by deposits to checking accounts opened for such purposes in the credit institution acting as the Clearinghouse trustee, between 9:00 A.M. and 10:00 A.M. on the Business Day following the trading session. The Clearinghouse will simultaneously send the payments at the designated time.

### **PART TWO EXTRAORDINARY SETTLEMENT**

#### **603.00.**

The Clearinghouse will order an Extraordinary Settlement when owing to the volatility of the price of one or more Underlying Assets, the potential consumption of the Margins is equal to or greater than the percentage defined by the Sub-Committee for Risk Admission and Management.

The terms of this article notwithstanding, the Sub-Committee for Risk Admission and Management may establish an amount that would serve as the basis for demanding the delivery of the amount that corresponds to the Extraordinary Settlement.

#### **604.00.**

The Clearinghouse will order an extraordinary settlement when an increase in the net volume of Open Contracts causes Margin requirements to be greater or equal to the percentage of the Contribution Fund defined by the Sub-Committee for Risk Admission and Management.

**605.00.**

The Extraordinary settlement will take place at the most recent available price for each of the Series traded and/or with the theoretic prices or premiums supplied by the Exchange.

**606.00.**

Clearing Members shall cover the extraordinary settlements to the Clearinghouse in cash by means of payment orders issued by Banco de México's extended-use automatic payment system. When it is not possible to use that system, payment should take the form of deposits by said Clearing Members to a checking account they opened for such purposes with the credit institution acting as Clearinghouse trustee, within a period of sixty minutes.

**PART THREE  
SETTLEMENT AT EXPIRATION  
OF FUTURES  
CONTRACTS ON STOCKS**

**607.00.**

The settlement at expiration of each Series of Contracts on stocks will take the form of a ledger transaction or any other transfer mechanism approved of by the Authorities, in the Mexican Stock Exchange, executed by the agent brokerage firm designated for such purposes by the Clearinghouse. This transaction shall be conducted at the Settlement Price at Expiration indicated by the Clearinghouse. The agent brokerage firm shall register the buy/sell transaction for the gross amount of the positions.

For purposes of this Part, Agent Brokerage Firm is to be understood to mean the brokerage firm hired by Clearing Members and to which the Clearinghouse is able to issue buy/sell orders on the shares related to the settlement at expiration of contracts on stocks.

**608.00.**

The Clearing Member shall sign a securities brokerage contract with the agent brokerage firm authorizing it to deliver and/or receive the securities and/or the cash needed to cover their positions and those of their Clients. The Clearinghouse shall be empowered by the Clearing Member, by means of the securities intermediation Contract, to issue buy/sell orders.

The securities intermediation Contract shall contain the signatures of the following individuals:

- a) The legal representative of the Clearinghouse with full authorization to issue buying or selling orders.
- b) The person with full authorization to conduct business on behalf of the Clearing Member trust.

Furthermore, each of the Clearing Member shall grant the Clearinghouse a mandate to issue buy or sell orders to the agent brokerage firm for cash or securities settlement.

**609.00.**

The Clearinghouse will provide the agent brokerage firm a report containing the gross Short and Long Positions and those of Each Clearing Member for each and every Series. Said report shall indicate:

- I. The sell order for the total volume of shares comprising the Clearing Members' Short Positions in each Series.
- II. The Sell Order for the total volume of shares comprising the Clearing Members' Long Positions in each Series.

This report must be delivered in the form agreed upon by the Clearinghouse and the Agent Brokerage, on the corresponding Expiration Date, and the original of the report shall be delivered no later than 11:00 A.M. on the Business Day following the Expiration Date.

**610.00.**

When trading begins on the day following the Expiration Date of the Contracts, the agent brokerage firm shall perform a ledger transaction or any other transfer procedure approved by the Authorities, by which, on behalf of the Clearing Member, it sells the total volume of shares corresponding to the gross Short Positions and buys on behalf of the Clearing Member the total volume of shares corresponding to the gross Long Positions of a Series.

The ledger transaction or other means of transfer must use the Settlement Price at Expiration of the Contract and 24 (twenty-four) hour value, for purposes of the Mexican Stock Exchange or its equivalent on any other stock exchange.

**611.00.**

Clearing Members must deposit in the Account they maintain with the agent brokerage firm, no later than 2:00 pm, 2 (two) Business Days following the Expiration Date of the Contract:

- I. The total number of shares corresponding to the gross Short Positions in each Contract Series.
- II. The amount equal to the total price of the shares corresponding to the gross Long Positions in each Contract Series.

Notwithstanding the terms of the first paragraph of the current point, Clearing Members must deposit in their Account the corresponding shares and/or price as of the Expiration Date of the Contract.

**612.00.**

Repealed.

**612.01.**

The agent brokerage firm shall verify the number of shares and the amount of funds received as of 2:00 P.M. on the Settlement Date. Furthermore, before 2:30 P.M., it will send the Clearinghouse a report specifying the amount of cash and the number of shares Clearing Members have yet to deliver.

**613.00.**

The agent brokerage firm shall begin to assign as of 2:00 P.M. on the Settlement Date the shares corresponding to each Clearing Member's Long Positions, and will begin to pay the corresponding sum for each Clearing Member's Short Positions.

**614.00.**

Repealed.

**614.01.**

A lack of sufficient funds after the hour referred to in point 613.00. above, will be considered a default on the part of the Clearing Member with Long Positions. In such a case, the Clearinghouse will apply the "safety net" referred to in its Regulations.

Furthermore, the Clearinghouse will instruct the agent brokerage firm to proceed with the sale of the number of shares that it has received on behalf of Clearing Members with Short Positions corresponding to the Settlement Balance at Expiration that the Clearing Member in default has failed to cover.

If the shares are sold below the Settlement Price at Expiration, the Clearinghouse shall cover the difference in the Settlement Balance at Expiration that shall be given to the Clearing Members with Short Positions who have fulfilled their obligation to deliver the Underlying Asset, along with the brokerage expenses arising out of the sale of the shares.

If the shares are sold above Settlement Price at Expiration, the Clearinghouse will receive the difference in prices and will apply it to the intermediation expenses assumed in the course of selling the shares. Should any funds remain, they shall be used by the Clearinghouse to cover any other obligation of the Clearing Member in default.

**615.00.**

In order to cover the failure of a Clearing Member to deliver shares as referred to in point 614.00., the Clearinghouse shall issue an written order for the agent brokerage firm to execute or more of the following Transactions:

- I. On the Settlement Date, it may purchase at market price the missing shares for same-day settlement.
- II. On the Settlement Date, it may take the shares on credit.
- III. On the Settlement Date, it may purchase at market price the missing shares for 24 (twenty-four) hour settlement.
- IV. On the Settlement Date, it may purchase at market price the missing shares for 48 (forty-eight) hour settlement.
- V. If there is a shortfall in the number of shares the Business Day following the Settlement Date, the agent brokerage firm may once again proceed as

indicated in points I, II, III and IV, above, and deliver the shares no later than three Business Days following the Settlement Date.

- VI. If there is a shortfall in the number of shares the second Business Day following the Settlement Date, the agent brokerage firm may once again proceed as indicated in points I, II, III and IV, above, and deliver the shares no later than three Business Days following the Settlement Date.
- VII. If there is a shortfall in the number of shares on the third Business Day following the Settlement Date, the agent brokerage firm may once again proceed as indicated in points I, II, III and IV, above, and deliver the shares no later than three Business Days following the Settlement Date.

In any event, the agent brokerage firm must act in accordance with the instructions it receives in writing from the Clearinghouse.

**616.00.**

The Clearinghouse shall deliver to the agent brokerage firm the amount necessary to cover any difference in the purchase price for securities that the Clearing Member has failed to deliver.

The Clearinghouse will provide the agent brokerage firm the amount necessary to cover the expenses related to a securities lending transaction.

**617.00.**

In the event that a Clearing Member delivers to the agent brokerage firm the missing shares during the execution of the Transactions referred to in point 616.00. above, the Clearinghouse shall request the immediate payment of the cash to Clearing Members that have yet to be paid and shall order:

- I. The return of the shares to the lender once the shortfall in shares has been covered by a securities lending transaction.
- II. The sale of the shares when the shortfall has been covered through a buy order aimed at recovering the value of said shares.

**618.00.**

In the event of a shortfall in the delivery of the shares, the settlement of the missing shares must take place during the 5 (five) Business Days following the Expiration Date of the Contract. A Clearing Member will be deemed in default if a shortfall remains in the delivery of the shares following the fifth Business Day following the Expiration Date of the Contract, and the Clearinghouse shall apply the "safety net" stipulated in its Regulations.

**619.00.**

Repealed.

**620.00.**

Once the cash and/or the securities arising out of the settlement of Contracts in the Account the Clearing Member maintains with the agent brokerage firm have been

deposited, the agent broker shall make the corresponding deposits to its Clients in the Accounts allocated for such purposes.

**621.00.**

The Clearing Member must ensure that its Client maintains an Account with a brokerage firm through which transfers can be made of the securities or the cash for settling Contracts on the transactions they conduct. The Client must deliver and receive the securities or the cash through said Account, which shall be in the Client's name.

**PART FOUR  
SETTLEMENT AT EXPIRATION OF  
DOLLAR FUTURES CONTRACTS**

**622.00.**

For purposes of this Part, agent bank is understood to mean the credit institution hired by the Clearinghouse to receive and deliver funds in Mexican pesos and to receive and deliver the foreign currency (U.S. dollar), through its branch locations inside the United States of Mexico and in the currency's country of origin.

Settlement at Expiration of a dollar future Contract Series shall be made through an agent bank designated by the Clearinghouse:

- I. By the reception of funds in Mexican pesos deposited by Clearing Members with Long Positions in the branch location of the agent bank located in the United States of Mexico; and the delivery of the foreign currency to said Clearing Members through the branch location of the agent bank located in the foreign currency's country of origin.
- II. By the reception of the foreign currencies involved in the expiration of the Futures Contract, deposited by the Clearing Members with Short Positions at the branch location of the agent bank located in the country of origin of the currency in question; and the delivery of the corresponding funds in Mexican pesos to said Clearing Members through the branch location of the agent bank located inside Mexico.

**623.00.**

The Clearinghouse shall open an Account at the branch location of the agent bank located inside Mexico for purposes of receiving and delivering funds in Mexican pesos, and an Account at the branch location of the agent bank in the United States of America, for the reception and dispersal of dollars.

**624.00.**

The Clearing Member shall open an Account in its own name with a credit institution located inside Mexico that is to be used for receiving payments in the foreign currencies sold in Mexican pesos. Furthermore, it shall open and maintain an Account in its own name with a credit institution located in the United States of America for receiving the foreign currencies purchased.

In accordance with the instructions it receives from the Clearinghouse, the agent bank shall transfer the funds in Mexican pesos and foreign currencies to the Accounts Clearing Members have specified for such purposes.

**625.00.**

The Clearinghouse shall provide the agent bank a report or letter of instructions specifying:

- I. The amounts to be received as well as the amounts to be deposited in pesos in the Accounts allotted for such purposes by each Clearing Member.
- II. The amounts to be received as well as the amounts to be deposited in dollars in the Accounts allotted for such purposes by each Clearing Member.

The content of the report or letter of instructions should be confirmed by telephone by those persons authorized by the Clearinghouse for such purposes. Transfers input into the electronic banking system of the agent bank shall be considered as instructions.

**626.00.**

Due to the netting or the exercise/assignment of Futures or Options Contracts, each Clearing Member with a net Long Position in foreign currency must deliver in the United Mexican States the amount in domestic currency that results from multiplying the Settlement Price at Expiration by the number of units of the Underlying Asset referred to in the Contract, by the number of Open Contracts, and shall have the right to receive in the country of origin of the currency, the number of units of the Underlying Asset referred to in the Contract, multiplied by the number of Open Contracts. Payments must be made in the Clearinghouse peso and dollar accounts before 12:30 noon, Mexico City time, on the Business Day following the Expiration Date of the Series.

Additionally, the Clearing Member must require that their Clients make the corresponding deposit in pesos and/or dollars in the accounts it has opened for these purposes, before 10:00 a.m. Mexico City time.

The agent bank must provide the Clearinghouse a report on the funds in Mexican pesos and in foreign currencies received up until 1:00 pm, Mexico City time. The reports generated by the electronic banking systems will serve to support the transactions performed.

**627.00.**

Due to the netting or the exercise/assignment of Futures or Options Contracts, each Clearing Member with a net Short Position in Foreign Currency must deliver in the country of origin, of the currency, the number of units of the Underlying Asset referred to in the Contract, multiplied by the number of Open Contracts, and shall have the right to receive, in the United Mexican States the amount in domestic currency that results from multiplying the Settlement Price at Expiration by the number of units of the Underlying Asset referred to in the Contract, by the number of Open Contracts. The payments must be made in the Clearinghouse peso and

dollar accounts by 12:30 noon, Mexico City time, as the case may be, two business days following the date the Contract expired.

*The agent bank must provide the Clearinghouse with a report on the delivery of the funds through the respective branches in the Accounts stipulated for such purposes for each Clearing Member. The reports generated by the electronic banking systems will serve to support the transactions performed.*

**628.00.**

In the event of a total or partial default by a Clearing Member in the delivery of foreign currencies or the equivalent price in Mexican pesos, the Clearinghouse will instruct the agent bank to proceed in one of the following manners, depending on the case at hand:

- I. To first settle Clearing Members in good standing the fullest possible amount in foreign currencies and/or funds in Mexican pesos delivered by Clearing Members.
- II. To settle, to the extent possible, the Clearing Member with a lack of foreign currencies and/or funds in Mexican pesos up to the Member's net position.

**629.00.**

So as to cover the default of a Clearing Member in the delivery of foreign currencies, the Clearinghouse will order the agent bank to purchase dollars and make the transfer to the Clearinghouse's account in the United States of America. That order is to be made with funds in Mexican pesos by drawing on a line of credit or additional funds provided by the Clearinghouse.

**630.00.**

In order to cover a default by a Clearing Member on the payment of the Mexican peso price of the foreign currencies, the Clearinghouse shall do one or both of the following:

- I. Order the agent bank to sell a specified amount of dollars deposited in the Account of the Clearinghouse in the United States of America.
- II. Provide the agent bank the funds needed to cover the shortfall in Mexican pesos or will draw on a line of credit established for such purposes.

**631.00.**

The failure of a Clearing Member to pay the price of the foreign currencies in Mexican pesos or failing to deliver the foreign currencies will lead the Clearinghouse to apply the "safety net" referred to in its Regulations.

**632.00.**

Once the foreign currencies and the equivalent price in Mexican have been deposited in the Accounts identified for such purposes by the Clearing Member, the member must make the movements of local and foreign currencies necessary to pay its Clients the Contract settlements that they are due.

**633.00.**

Repealed.

**633.01**

The Clearinghouse may verify that the settlement of all positions on behalf of the Clearing Member has been duly performed once the settlement has been carried out, or as part of the trading review process or in regular audits.

**PART FIVE  
COMPLEMENTARY SETTLEMENT  
FOR TRANSFER OF OPEN CONTRACTS**

**634.00.**

Repealed.

**635.00.**

Repealed.

**636.00.**

Repealed.

**637.00.**

Repealed.

**PART SIX  
PROCEDURE FOR EXERCISING OPTION CONTRACTS**

**644.00.**

The Clearing Member that receives an express request from its Client shall inform the Clearinghouse of the number of Option Contracts it maintains in its Long Position and which it wishes to exercise.

**645.00.**

The notifications shall be input by the Clearing Member or Trader, as the case may be, through a terminal of the clearing and settlement system to which it has access, at any time from the start of trading up until ninety minutes after the market closes.

**646.00.**

The Clearinghouse shall execute the random assignment process of the instructed Exercises, once Clearing Members and Traders no longer have access to the clearing and settlement system, and after the information on Open Contracts is submitted to the Exchange. The Clearing Member shall execute the assignment process in accordance with the Manual.

**647.00.**

On the Expiration date of an Options Contract Series, the Clearinghouse shall execute a clearing and settlement system process through which it will automatically determine the possible exercises of the Options Contracts that

expired that day and which have an intrinsic value higher than the self-exercise threshold.

**648.00.**

The proposal for an automatic Exercise generated as described in article 647.00 shall be printed in the MX01 report, and, when applicable, the MX11 report, which shall be distributed electronically to Clearing Members and Traders.

**649.00.**

Following the electronic distribution of the reports mentioned in Article 648.00, the Clearinghouse shall allow Clearing Members and traders access to the clearing and settlement system for 30 minutes in order for them to confirm the Exercise of the Option Contracts that the Clearinghouse carried out during the expiration of the Series.

**650.00.**

The Clearinghouse shall not permit Clearing Members and Traders to access the system after the term has expired for making Exercise Notification of Option Contracts at expiration, and shall later execute the random assignment process for the confirmed Exercises.

**651.00.**

On the Expiration date of an Options Contract, the Clearinghouse shall perform the automatic Exercise proposed to the Clearing Members, unless otherwise instructed.

Option Contracts that have not been exercised will not be assigned, and shall expire without value.