

BOLSA Mexicana DE VALORES

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Following one of the strategic lines of development for the market, that the Exchange has commenced in 2004 was “completing markets”; which makes available to Mexican investors, through BMV Group and Mexican intermediaries, all products and services available in other markets.

The Mexican Stock Exchange launched a new market, “Mercado Global BMV” (BMV Global Market), in which foreign securities can be incorporated to the Exchange’s trading systems (similar to the UTP scheme in the US) and where the Mexican investors, both retail and institutional, can trade them in Mexico. Under this scheme, in May 2003, 29 U.S. stocks from the Dow Jones Industrial Average Index were first incorporated into the BMV Global Market, then, six months hence, 48 European shares from the Dow Jones STOXX 50 Index were added. Presently around 170 individual stocks from U.S., Canada, Europe, Asia and Australia have been included in Mercado Global BMV.

Available securities also include 11 foreign ETF’s (QQQQ by Nasdaq-100 Index, 7 iShares on S&P indices and 3 iShares based on Lehman Brothers Bond Indices).

In order to develop the securitisation of real estate and infrastructure assets and cash flows, a new product was designed—similar to the Canadian Real Estate Investment Trusts (REIT’s)—called FIBRAS. We think a real estate product that produces constant cash flow will attract new investors to the equity market. This instrument is designed to get efficiencies from recent tax law changes as well as the benefit of capital gains exemption to stocks

traded at the exchange. Two IPO’s were placed during the year both of which were housing developers. These issuers have maintained a high level of activity on debt markets though direct issues, securitisations and structured instruments. We think this will be the way for Mexican companies to do an IPO; prior issue of debt at the exchange.

CONSAR (the pension funds regulator) made a reform on the investment regime of the pension funds (SIEFORES), allowing them to invest 15 per cent of their portfolio on foreign stocks and 20 per cent on foreign securities. BMV group provided assistance in the analysis. In order to offer new investors all advantages of the BMV group, we established a strategy called “is better to do it in Mexico” in which we try to show these pension funds why they should trade in Mexico instead of foreign markets. We are also structuring this strategy to avoid what happened to the Chilean stock exchange and intermediaries with their pension funds that are actually trading overseas.

In February, a central counterparty for the Mexican stock market (shares trading) was inaugurated. As part of its duties of market supervision, in July, a new improved version of the market surveillance system (called VIGIA 2.0) was released. The process of technological renovation of the electronic material information system (EMISNET) is underway; it will be completed this year.

The development of the new version of our trading platform SENTRA 5.0 is completed. The trading system

SENTRA 5.0 version has important changes:

- Modifications of the opening scheme incorporating an auction for price formation (8:00 to 8:30).
- A new trading scheme for less liquid stocks called *continuous auction*, in order to improve market price formation.
- Allowance to access material information immediately.

Market Activity in December 2004

(All values are expressed in million dollars)

- Domestic market capitalisation: \$169,609.58
- Number of companies listed as of December
 - Domestic Companies: 151
 - Foreign Companies: 175
 - Total: 326
- Value of share trading
 - Domestic: \$4,083.42
 - Foreign: \$230.42
 - Investment funds: \$42.66
 - Total: \$4,353.50
- Number of trades (Electronic Order Book trades): 105,716
- Number of covered warrants listed: 13
- Trading value of covered warrants: \$23.89
- Number of ETFs listed: 12
- Trading value of ETFs: \$63.45
- Market index: Índice de Precios y Cotizaciones (IPC)
(In Mexican pesos terms): 12,917.88

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Two IPO's were placed during the year which have maintained a high level of activity on debt markets through direct issues, securitisations and structured instruments. We think this will be the way for Mexican companies to do an IPO; prior issue of debt at the exchange.