

A photograph of a symphony orchestra performing in a modern concert hall. The orchestra is seated on a stage, and a conductor is visible in the center. The hall features a large, curved ceiling with numerous cylindrical pendant lights of varying lengths, creating a dramatic lighting effect. The text "Grupo BMV" is overlaid on the image.

Grupo BMV

Annual Report  
2005



## Companies of Grupo Bolsa Mexicana de Valores (GRUPO BMV)

### Securities Market

**Bolsa Mexicana de Valores, S.A. de C.V.**  
*(Mexican Stock Exchange)*

**S.D. Indeval, S.A. de C.V.,  
Institución para el Depósito de Valores**  
*(Central Securities Depository)*

**Contraparte Central de Valores de México, S.A. de C.V.**  
*(The Central Counterparty)*

### Derivatives Market

**MexDer, Mercado Mexicano de Derivados, S.A. de C.V.**  
*(Futures and Options Exchange)*

**Asigna, Compensación y Liquidación**  
*(The Derivatives Market Clearinghouse)*

**Sif Icap, S.A. de C.V.**  
*(Broker)*

**Valución Operativa y Referencias de Mercado, S.A. de C.V. (Valmer)**  
*(Price Vendor for Financial Instrument Valuation)*

### Other Institutional Activities




**Bursatec, S.A. de C.V.**  
*(Technology and Systems Development)*

**Corporativo Mexicano del Mercado de Valores, S.A. de C.V.**  
*(Personnel Services)*

**Sif Icap Servicios, S.A. de C.V.**  
*(Personnel Services)*







## M i s s i o n

The companies that make up Grupo BMV are engaged in a variety of activities, and work together in an integrated and complementary manner. Each is a fundamental part of the functioning and development of the securities market in Mexico, supporting all its participants--issuers, brokers and investors--in the pursuit of their respective objectives.

Grupo BMV functions on three fundamental conditions: transparency, efficiency, and solidity. These principles contribute to its central mission while helping to maximize the value of the Group.

## V i s i o n

To modernize and strengthen the companies of Grupo BMV; to keep them competitive and help them offer the best services and products in their respective fields; and to ensure that they are well-integrated and efficiently manage their resources, so they can create value and build confidence.

The strategies we are using to modernize and fortify the group are aimed at:

- **The market.** Encouraging a rising volume of trades in a wider array of instruments, taking advantage of all the advantages of the opening and globalization of the financial markets, and the convergence of trading with the leading international markets.
- **The group itself.** With advanced technology, certification of critical processes and the articulation of synergies in the operating sphere, and sales and marketing in the strategic sphere.
- **Our strategic partners.** Through alliances that maximize our trading capacity and increase our presence in the fastest growing segments of the industry, both within and outside of Mexico.
- **The general public.** To shore up public trust and the reputation of our securities market institutions through a more effective relationship with the media and closer ties with universities and sources of analysis.

## Bolsa Mexicana de Valores

Mission and Vision  
Message from the Chief Executive Officer  
Board of Directors  
Committees  
The Securities Market in 2005  
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Vision for 2006  
Shareholders & Members  
Corporate Officers  
Facts & Figures



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## Valmer

Mission and Vision  
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# Message from the Chairman of the Board of Grupo BMV

To speak of Grupo BMV is to refer proudly to a group of companies that specializes in services to the Mexican financial system, functionally integrated and committed to their shareholders, board members, securities issuers, investors, clients, authorities, personnel, and society at large.

Their activities follow the institutional strategic guidelines approved by their respective Boards of Directors, and under conditions of security, transparency, innovation and competitiveness.

In this context, in 2005 the member companies of Grupo BMV focused on three basic objectives:

- Reviewing and strengthening their technological infrastructure: equipment, systems, telecommunications, developments, backups, and contingency plans.
- Offering quality services with high standards of efficiency, to meet the needs and requirements of users.
- Developing new products and services with added value, to complement the existing range and to take advantage of institutional synergies.

The results of these efforts were highly satisfactory, though there are always new challenges ahead.

The companies in the group invested heavily in their technological infrastructure, particularly the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A. de C.V.); S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores (S.D. Indeval); MexDer, Mercado Mexicano de Derivados, S.A. de C.V. (MexDer); SIF ICAP, S.A. de C.V.; and Valuación Operativa y Referencias de Mercado, S.A. de C.V. (Valmer), who worked to upgrade their equipment and expand trading capacities. With the support of Bursatec, S.A. de C.V., the companies of the group are also updating their central systems and their contingency plans, to ensure the efficiency and continuity of the services they provide, and to reduce trading and systematic risk.

Now more than ever before, Grupo BMV is investing heavily in information technology, aware that this is a crucial area for the future and proper functioning of the securities market. It is also redefining mechanisms and procedures that will need ongoing attention, including regular planning and tracking of international trends, in order to continue innovating and remaining globally competitive.

Here I would like to highlight some of the technological measures adopted by the Mexican Stock Exchange and S.D. Indeval. First, there is a program to expand the capacities of the trading systems, which is now well under way, along with the creation of an exclusive service to transmit order routing information in the Equity Market, called SETRIB Plus, and the renovation of the Tandem equipment. These three projects which will allow brokerage firms and their clients to conduct more trading by using algorithms, a process known as program trading.

To address some earlier problems, the central securities depository defined a strategy last year based on a complete diagnosis and review of their operations, which involved strengthening the current system and developing a new one, all of the modules of which are expected to be completed by 2008. The priority is to guarantee, in close coordination with Banco de Mexico, the efficient functioning of the payment systems in which S.D. Indeval participates.



To date, 95% of the functional risks identified have been resolved. The computer system now uses up only a third of the resources that it did in the preceding year, and closing time delays have diminished considerably.

MexDer continues to work on its API/FIX project, which will allow it to compete efficiently outside of Mexican borders, through a standard interconnection protocol known as FIX (Financial Information Exchange). The use of FIX protocol means more institutions can participate in the local derivatives market, because it will allow Members to trade from abroad. The project is expected to be ready early in 2006.

Another highlight of the year was the incorporation of new shareholders and participants to the companies of Grupo BMV. Protego Casa de Bolsa, S.A. de C.V., joined the BMV as a Limited Member (fixed-income only), while Casa de Bolsa Credit Suisse (Mexico), S.A. de C.V., changed its status from Limited to Full Member, and can now engage in brokerage in both the equity and fixed-income markets.

In its second year of operations, Contraparte Central de Valores de México, S.A. de C.V. (CCV) admitted Casa de Bolsa Credit Suisse First Boston (Mexico), S.A. de C.V. as a shareholder and Clearing Member, and increased its minimum equity without right to withdrawal to 62.3 million pesos. It plans to raise this amount to the minimum regulatory limit of 75 million pesos in 2006, before the deadline required by the terms of its concession.

MexDer also saw increased activity among its various types of participants. During the year covered by this report, its Board of Directors approved two transmissions of capital stock by the

derivatives exchange, and two other financial institutions were admitted as Trading Members.

These events are a sign of the corporate and financial strength of Grupo BMV, as are the solid financial results reported this year by its companies.

Another of the year's major events was the acquisition of the building that houses the Securities Center in Mexico City, which is the headquarters of Grupo BMV. The Mexican Stock Exchange purchased this property in an open and above-board process and on the best terms for all parties involved, without compromising its financial health in any way.

The former owner of the building, a company called Cebur, S.A. de C.V. (now in the process of liquidation), partly owned by most of Mexico's brokerage firms and some banks, had decided some years ago to sell the building, but had not received any acceptable offers in that time. In 2005, the Board of Directors of the Mexican Stock Exchange authorized its purchase under optimum market conditions. Simultaneously with the BMV's purchase, the Mexican Securities Industry Association (AMIB) bought the first floor of the building from Cebur, and S.D. Indeval already owned two floors of it.

In reading through the attached reports for each company in Grupo BMV, you will find an account of all the activities carried out during the past year, too detailed to be included in these pages. However, I cannot help but mention, because of its transcendence for this country, that after a long process of work and negotiation, a new Securities Market Act was passed by Congress at the end of last year, and will take effect in mid-2006. The new Act has major implications for the activities of Grupo BMV, and we are confident that it will bring benefits to the market as a whole, and greater participation by both issuing companies and investors.

Finally, I would like to express my recognition and gratitude for the support of our board members, committee members, and the valuable personnel of all the companies in this group. Their commitment and vocation have been fundamental to all the achievements described in these reports, as have the support of the brokerage firms, banks and financial groups, which together with AMIB contribute day after day to the proper functioning and growth of the Mexican securities market.

**Guillermo Prieto Treviño**



## *Grupo BMV Corporate Management*

### **Company**

Bolsa Mexicana de Valores, S.A. de C.V.  
S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores  
Contraparte Central de Valores de México, S.A. de C.V.  
MexDer, Mercado Mexicano de Derivados, S.A. de C.V.  
Asigna, Compensación y Liquidación  
SIF Icap, S.A. de C.V.  
Valuación Operativa y Referencias de Mercado, S.A. de C.V.  
Bursatec, S.A. de C.V.

### **Chief Executive Officer**

Pedro M. Zorrilla Velasco  
Gerardo Mejía Moreno  
Gerardo Mejía Moreno  
Jorge P. Alegría Formoso  
Jaime Díaz Tinoco  
Rodolfo Sánchez-Arriola Luna  
Gerardo Gamboa Ortiz  
Enrique Ibarra Anaya



### **Group Corporate Management**

Administration  
Auditing  
Corporate Strategy  
Legal Affairs  
Human Resources

### **Director**

Marco Antonio Hernández Jiménez  
Aída S. Andrade Ancira  
Alejandro Reynoso del Valle  
Hugo A. Contreras Pliego  
Jorge Rovalo Merino









## Mission

The Mexican Stock Exchange (Bolsa Mexicana de Valores, or BMV) provides the technology, systems and self-regulatory rules under which the Mexican securities market operates, primarily for the purpose of listing, trading and recording of trades in stocks, participation certificates, fixed-income instruments and warrants. The infrastructure and services supplied by the Exchange allow for transparent, efficient and secure day-to-day trading in these securities. They also allow investors, equity issuers and brokerage firms to come together in an organized market and in a highly competitive trading environment.

## Vision

To keep the market efficient and reliable, so that it can serve as a conduit for the financing companies need to pursue productive activities in this country, and for investors, both individual and institutional, to make well-informed investment decisions and to profit from their trading in the market.

The Mexican Stock Exchange exists to serve society. To do so, it provides a modern infrastructure for the market to function in an orderly and equitable fashion for all participants, within a climate of transparency and institutional solidity. It works to continuously expand the mechanisms and choices available to investors and companies of various sizes, so they can take full advantage of an efficient electronic market and a wide range of competitive and attractive instruments.

It is vital for the Mexican securities market to keep building on the solid footing it has established, because today's financial markets are increasingly globalized, and the Mexican economy is more and more open to and interconnected with international markets. It is also crucial in light of domestic reforms pinpointed at key areas like promoting savings, primarily for retirement, and encouraging collective investment mechanisms like mutual funds.





BOLSA MEXICANA DE VALORES

## *Message from the Chief Executive Officer*

The achievements of the Mexican Stock Exchange over the past year are the result of directives set forth by the Board of Directors, the work of its various Committees, institutional coordination with brokerage firms and with the Mexican Securities Industry Association (AMIB), and the unconditional efforts and commitment of its personnel.

The results of the market's main indicators in 2005 are very satisfactory. Continuing their steady advance of the past three years, in 2005 the Price and Quotations Index (IPC, by its initials in Spanish) gained 37.81% in peso terms, and 44.04% in dollar terms. The Exchange's main index set record highs in fifty trading sessions over the course of the year.

Clearly, its performance was fueled by the stability of Mexico's economy, the financial results of the listed companies, and the reduction of overall country risk.

The number of trades, trading volume and value traded during the year rose by 7.3%, 17.0% and 21.0%, respectively, over the preceding year, meaning the market's growth had solid grounding.

The market's evident strength has encouraged new public equity and fixed-income offerings. There were 5 IPO's of stock last year--new listings-- along with 7 new issues by already-listed companies and 9 equity subscriptions, totaling more than 25 billion pesos.

For comparative purposes, in 2004 there were 17 listings with a total value of 10 billion pesos. Additionally, in a number of the 2005 issues, brokerage firms were able to broadly distribute the securities across a range of between 800 and 4,700 initial investors.

Another highlight of the past year was the listing (without a public offering) of shares in two of Spain's largest global banking institutions, a sign of the international recognition that Mexico and its stock market have earned.

In the area of fixed-income issues, the securities market continued its task of helping companies in various industries, as well as state and municipal governments and state-owned enterprises, to raise financing for their activities.

Given the many advantages it offers as an alternative for financing projects and securitizing assets, mortgage portfolios, fee income, etc., the securities market was chosen for a range of short-, medium-, and long-term placements. To mention a few key figures, in 2005, 93 issues of medium- and long-term fixed-income securities were placed totaling 132.51 billion pesos, and 816 short-term issues totaling 299.66 billion pesos.

Another alternative the Exchange offers to investors interested in assembling and diversifying portfolios--the international quotation system, known as the "BMV Global Market"--also saw an intensification of trading activity during the year, largely because of participation by institutional investors like specialized retirement funds (known as SIEFORES) and traditional mutual funds.

This segment already has 198 listed series from North America, Europe and Asia, including instruments as varied as stocks, notes, and stock-referenced certificates, known in other markets as Exchange-Traded Funds or ETFs, and instruments that track the world's leading Indices and bond baskets, and the prices of gold and Brent crude, to mention just a few. In the year covered by this report, the Exchange incorporated 21 new listings to this market, and the value of securities held in custody totaled US\$1.35 billion at the close of December.





In the area of technology, the Exchange made it a priority to upgrade its servers and central equipment, expand its trading capacities, and review, modify and document its main trading systems, while planning for the future as well. Exchange representatives visited leading stock markets in the U.S. and Canada to learn about their recent experiences and international trends, in coordination with the directors of some brokerage firms and AMIB. It also hired internationally-prestigious consulting firms to obtain expert advice in this effort.

Information technology is becoming increasingly important in today's securities industry, where brokerage firms are making greater use of algorithms and informational tools to engage in what is called "program trading" in financial instruments, primarily the stock and derivatives markets. Program trading has attracted a huge amount of interest in the world's securities markets today because it vastly increases the number of bids, messages and order cancellations. This poses a major challenge to the technology and systems architecture of virtually all the world's markets.

Complementing this area is another technological effort made by the Exchange, which involves updating and validating contingency plans in order to be prepared for any negative eventuality that might arise and affect the continuity of trading and orderly operation of the market.

The Exchange is also committed to giving priority attention to the issuers whose securities are listed on the market. Over the past year, we worked intensively on areas like promotion, consulting on market obligations, improvements to the systems used for receiving and publishing issuer information, oversight of trading, and last but not less important, a new program of facilities and services that will start up next year, aimed at attracting mid-cap companies to the equity market.

Under this new program, listing fees, and in some cases, maintenance fees, will be waived for new issuers in 2006. These companies can also receive promotional support, consulting on corporate governance, and other services.

Also as part of this program of facilities and services, the Exchange is preparing, with the help of expert consultants, a new corporate governance guide to help companies adopt new provisions on this matter contained in the Securities Market Act passed by Congress in December 2005, and which takes effect at the end of June 2006.

Although far from exhaustive, this brief listing of the Exchange's most important institutional activities last year is intended to point out the most important objectives we pursued in the period, and to demonstrate our commitment to continuing to supply the best conditions for issuers, investors and brokers to participate in the Mexican securities market, in a climate of world-class security and competitiveness.

**Pedro Zorrilla Velasco**





## Board of Directors

### Institutional Board Members

#### Board Members

Eduardo Carrillo Díaz  
Carlos Gómez y Gómez  
Jaime Guardiola Romojaro  
Juan Guichard Michel  
Rafael Mac Gregor Anciola  
Marcos Martínez Gavica  
Manuel Medina Mora  
Guillermo Prieto Treviño  
Gonzalo Rojas Ramos

#### Alternate

Héctor Lagos Dondé  
José Ignacio de Abiega Pons  
Edgardo M. Cantú Delgado  
Javier Valadez Benítez  
Carlos Levy Covarrubias  
Carlos Hank González  
Carlos Gutiérrez Andreassen  
Eduardo Valdés Acra  
Gabriel Kuri Labarthe

### Independent Board Members

#### Board Members

María Asunción Aramburuzabala L.  
Javier Beristain Iturbide  
José Luis Gómez Pimienta  
Mario Laborín Gómez  
José Madariaga Lomelín  
Ernesto Vega Velasco

#### Alternate

Alfonso de Angoitia Noriega  
Eustaquio T. de Nicolás Gutiérrez  
Cosme A. Torrado Martínez  
José Luis Acuña Contreras  
Andrés Aymes Blanchet  
Alberto Navarro Rodríguez

#### Chairman

Guillermo Prieto Treviño

#### Vice Chairman

Carlos Gómez y Gómez

#### Statutory Auditor

Carlos García Cardoso

#### Alternate Auditor

Ernesto González Dávila

#### Secretary

Hugo Arturo Contreras Pliego

#### Secretary Pro Term

Clementina Ramírez de Arellano M.



## Committees

### Executive Committee

Prepares strategies for the development, promotion and dissemination of the securities market.

**Members:**

Guillermo Prieto Treviño (Chairman)  
Carlos Gómez y Gómez  
José Luis Gómez Pimienta  
Juan Guichard Michel  
José Madariaga Lomelín

### Compliance Committee

Develops self-regulatory rules and acts as a consulting body.

**Members:**

Guillermo Prieto Treviño (Chairman)  
Alfredo Acevedo Rivas  
Francisco Carrillo Gamboa  
Efrén del Rosal Calzada  
Samuel García-Cuéllar Santa Cruz  
Thomas Mueller Gastell  
Alberto Saavedra Olavarrieta

### Issuers Committee

Represents companies that list their stock on the Exchange.

**Members:**

Gerardo de Nicolás Gutiérrez (Chairman)

Made up of representatives from 37 issuers; has three Vice Chairmen: fiscal affairs, compliance, and communication and promotion.

### Disciplinary Committee

Is informed of violations of the Exchange's Internal Regulations and imposes the appropriate disciplinary and corrective measures.

**Members:**

Fernando Borja Mújica  
Miguel Estrada Sámano  
Emilio Gutiérrez Moller  
Ernesto Riveroll González  
José Sáenz Viesca

### Auditing Committee

Coordinates activities toward the correct evaluation of risks facing the company and its affiliates, with the participation of internal auditing, the areas involved and, when necessary, external consultants.

**Members:**

Alberto Navarro Rodríguez (Chairman)  
José Luis Gómez Pimienta  
Guillermo Prieto Treviño

### Securities Listing Committee

Approves applications for registry of securities for Exchange Listing.

**Members:**

Arturo D'Acosta Ruíz (Chairman)  
José Luis Acuña Contreras  
Roberto Díez de Sollano Díaz  
Salvi Folch Viadero  
Marco Antonio Hernández Jiménez  
Timothy Heyman  
Guillermo Prieto Treviño  
Pedro M. Zorrilla Velasco

### Compensation Committee

Establishes guidelines and criteria for the compensation of personnel employed by the companies of Grupo BMV.

**Members:**

Carlos Gómez y Gómez (Chairman)  
Juan Guichard Michel  
José Madariaga Lomelín  
Alex Olhovich Greene  
Guillermo Prieto Treviño

### Index Methodologies Committee

Analyzes, selects and approves methodologies for calculating and reviewing the company's market indicators, as well as its procedures and maintenance rules.

**Members:**

Pedro M. Zorrilla Velasco (Chairman)  
Gerardo J. Gamboa Ortiz  
Timothy Heyman  
Juan Manuel Pérez Porrúa  
Francisco Venegas Martínez



# The Securities Market in 2005

## I. The Stock Market

### I.1. Basic Indicators

At the end of 2005, the Price and Quotations Index (IPC) stood at 17,802.71 points, having climbed 37.81% in peso terms and 44.04% during the year. The index set record highs 50 times in 2005. Another market index, the Mexico Index (INMEX) gained 38.54% in pesos and 44.80% in dollars, while the mid-cap market index (the IMC-30) rose 9.50% in peso terms and 14.45% in dollar terms.

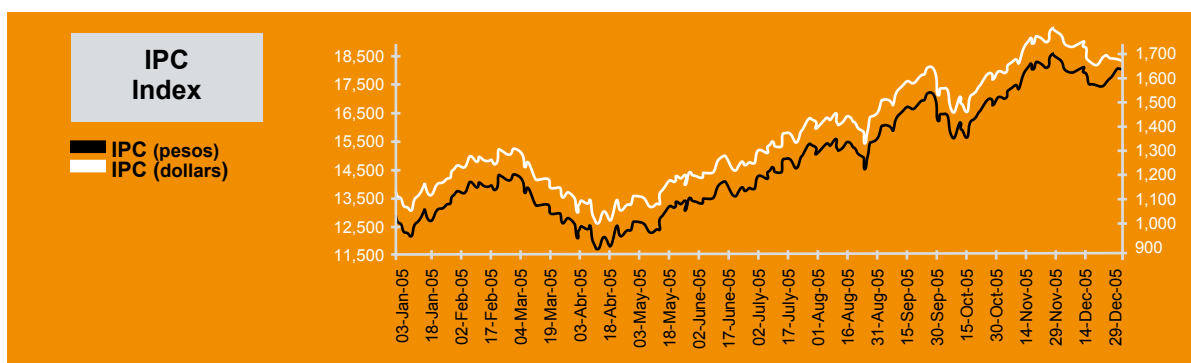
The yield of the IPC in dollar terms in 2005 earned it sixth place in the ranking of the world's top 50 markets, and also sixth among the 23 leading emerging markets.

Overall market cap was above 2.5 trillion pesos at the close of the year, 32.74% more than at the end of 2004. This is equivalent to 31.44% of Mexico's Gross Domestic Product (GDP), up from 23.30% one year earlier.

Trading activity was more intense in 2005 than in 2004: in a year-over-year comparison, the number of trades, trading volume and value traded rose by 7.3%, 17.0% and 21.0%, respectively.

The biggest players in the market in 2005 were the brokerage firms Accival, Banorte, BBVA Bancomer, GBM, Merrill Lynch and Santander, which together accounted for 60.6% of the total value traded on the market. Among the most heavily traded stocks were AMX L, CEMEX CPO, GMEXICO B, TELMEX L, TLEVISA CPO and WALMEX V. Activity in these stocks was equivalent to 55% of the year's value traded.

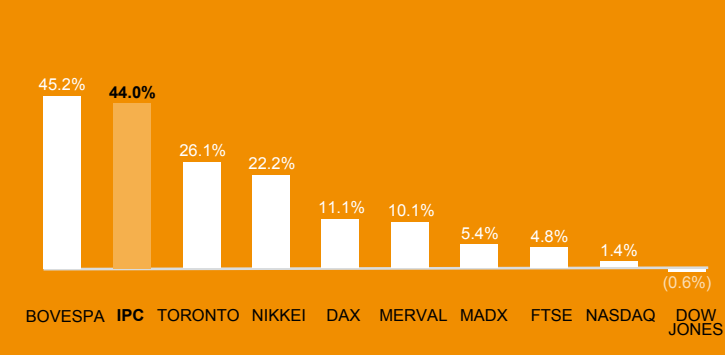
The SETRIB system (which links brokers' computers to the BMV's computer) handled 83.1% of the bids transmitted to the market; 8.4% was handled through BMV-SENTRA Capitaes, and the remaining 8.5%







**International Market Yields**  
% dollar terms



by the “Order Administrator” of each brokerage firm.

As in the previous year, the secondary trading platform for foreign instruments (stocks and fixed-income securities), called the BMV Global Market, continued to report rising volume, value traded and number of trades, primarily due to increased participation by Mexican institutional investors.

In 2005, an average of 229,312 shares were traded each day on the BMV Global Market, with a value of 98.2 million pesos, 105.6% and 95.3% higher, respectively, than the averages for the preceding year.

The most actively-traded iShare series of the year were: Lehman 1-3 Year Treasury Bond Fund, S&P 500, MSCI EMU Index Fund, Nasdaq-100 Index Tracking Stock, MSCI United Kingdom Index Fund and the MSCI Japan Index Fund.

Most brokerage houses in the Mexican markets trade iShares, but the most active in this area were Accival, Banorte, BBVA Bancomer, Interacciones, Inversora Bursátil, Merrill Lynch, Santander and UBS.

In December, with the change of investment rules for retirement mutual funds, five of these funds (known as SIEFORES) bought shares on the BMV Global Market, totaling 5.57 billion pesos.

At the close of the year covered by this report, there were 198 series traded on the BMV Global Market, making up a balance of US\$1.35 billion held in custody by S.D. Indeval, S.A. de C.V.

The instruments traded in the BMV Global Market are stocks from the U.S., European, Asian and Australian markets, as well as stock-referenced certificates (known in Mexico as TRACs, or Exchange Traded Funds--ETF's--in English) that track various world Indices, commodity prices and foreign currency.

Market Capitalization				
	Dec 30, 2005	Dec 31, 2004	Change	Change %
Million Pesos	2,544,025	1,916,618	627,407	32.74
Market Capitalization % GDP	31.44	23.30	8.14	34.94

*1.2 Securities Listing*

One of the repercussions of the Mexican economy’s steady economic performance in the past few years has been a considerable advance in the IPC and other trading indicators mentioned above. This in turn created conditions favorable to the placement of eleven public stock offerings in 2005, including the listing of four new issuers.

The total amount of stock offered on the market was 21.64 billion, compared to only three offerings for 2.26 billion in 2004. The companies listed in 2005 were the following:



In 2005, 93 fixed-income placements of medium- and long-term debt were floated on the market, for a total of 132.51 billion pesos. Securities Certificates (known in Mexico as CB's) made up 97.9% of the total issued.

## Foreign Companies Listings

In the last quarter of 2005, the shares of two Spanish companies were listed on the market without a public offering.

Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). On August 19, this financial firm listed 100% of its capital stock, worth 1.66 billion euros, represented by 3,390 million shares.

Banco Santander Central Hispano, S.A. (SAN). On October 5, this institution listed all of its capital stock--a total of 3.13 billion euros--on the Mexican Market, made of 6,254 million shares.

INSTRUMENT	2004	2005
Notes	3,000	2,000
Notes with yield payable at expiration	0	669
Securities Certificates	134,774	129,843
<b>TOTAL</b>	<b>137,774</b>	<b>132,512</b>

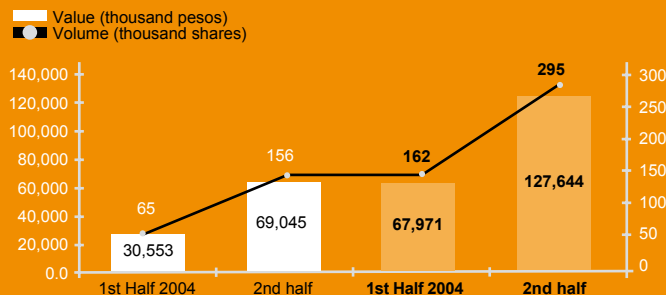
Million pesos

The following is a listing of the most important fixed-income offerings of 2005.

Pemex is one of the most active issuers on the market, having made 8 placements totaling 46 billion pesos. At the close of the year, Pemex had 74.58 billion pesos in debt outstanding on the market, out of an authorized program of 110 billion pesos.



## BMV Global Market Daily Average Traded



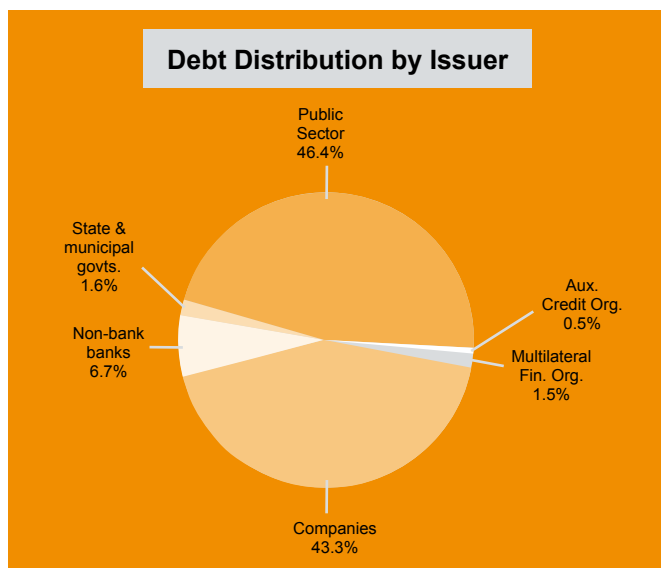
## II. Fixed-Income market

### II.1 Medium and long-term placements

The fixed-income market once again offered an attractive way to raise financing for company projects and for the securitization of mortgage portfolios, toll roads, and accounts receivable, among others.

Banco Nacional de México, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero Banamex, made an offering of Securities Certificates for 28.96 billion pesos, through the securitization of rights pertaining to a contract to acquire promissory notes of the Institute for the Protection of Bank Savings (IPAB).

The Federal Electricity Commission (CFE) made 5 issues of securities certificates, representing the securitization of credit rights, totaling 9.21 billion pesos.



Telefónica Finanzas México, S.A. de C.V., made its debut on the fixed-income market with two securities certificate issues totaling 5 billion pesos, part of an authorized program of 12 billion pesos.

Meanwhile, state and municipal governments raised a total of 2.12 billion pesos on the securities market, using various payment sources.


Entity	Amount Issued	Payment Source
State of Chihuahua	1,220	Federal Allocations
Municipality of Aguascalientes	100	Federal Allocationst
Mexico City Government	800	Collection rights on simple credit contract
<b>TOTAL</b>	<b>2,120</b>	

Million pesos

State-owned enterprises also remained very active in fixed-income issues:

Entity	Amount Issued
FONACOT	3,000
CFE	9,214
PEMEX	46,000
INFONAVIT	3,274
<b>TOTAL</b>	<b>61,488</b>

Million pesos



## II.2 Short-term debt

The amount of current lines of short-term debt on the market at the close of 2005 was 94.07 billion pesos, 96% of which were short-term CB's and the remaining 4% were commercial paper. A total of 91.57 billion in short-term debt was authorized in 2005.

The biggest issuers of short-term debt on the market in 2005 were Amtel, Hipnal, Pemex, Telecom and Telmex, and, for commercial paper, America Movil.

There were 816 issues of short-term debt in 2005, totaling 299.66 billion pesos, which break down as follows:

- Commercial paper: 69 issues, 50.01 billion pesos.
- Short-term securities certificates: 747 issues, 249.65 billion pesos.

## III. Exercise of Securities-Listing Faculties

Under the Mexican Stock Exchange's internal regulations, there are two main bodies involved in approving securities listings: The Securities Listing committee and the Associate General Director's Office. The following section describes the matters each of these bodies addressed in the exercise of their respective duties.

The Securities Committee received 15 applications for authorization, 8 of them for equity market instruments, primarily stocks and CPOs, and 7 applications for structured Securities Certificates totaling 9.97 billion pesos, whose securitized assets (toll fees, accounts receivable and federal payments to state and/or municipal governments) serve as a payment source for the issues.



## Short Term Fixed-Income Market

	2004		2005	
	No.	Amount	No.	Amount
Lines of Commercial Paper Authorized	16	43,678	3	3,566
Lines of Short-term "Certificado Bursátil" Authorized	51	55,651	53	88,000
<b>TOTAL</b>	<b>67</b>	<b>99,329</b>	<b>56</b>	<b>91,566</b>
Current Issues of Commercial Paper	16	43,678	3	3,566
Current Issues of Short-term "Certificado Bursátil"	43	52,271	54	90,500
<b>TOTAL</b>	<b>59</b>	<b>95,949</b>	<b>57</b>	<b>94,066</b>

Million pesos

The Associate General Director's Office authorized the following:

- 35 applications for medium- and long-term fixed-income issues
- 56 listings of short-term paper, 96% of them in securities certificates
- 27 applications for the listing of mutual funds , including 8 retirement funds (SIEFORES).
- 8 warrants totaling 2.2 million certificates; and
- On the BMV Global market, 19 foreign issuers of stocks and index-referenced instruments, plus one instrument in the fixed-income segment.

## Medium-and Long-term Fixed-income Market

Instrument	2004		2005	
	No.	Amt.	No.	Amt.
Certificados Bursátiles	22	87,414	34	139,055
Notes*	0	-	1	-
Long-term notes with yield Payable at Expiration	1	2,000	0	-
<b>TOTAL</b>	<b>23</b>		<b>35</b>	

\* Authorized notes from World Bank within global program  
Million pesos

### IV. Warrants

In 2005, 30 warrant placements were made totaling 3.09 billion pesos, 70.8% more than in 2004. Outstanding in this group were Scotia Inverlat Casa de Bolsa, which floated 23 issues pegged to the market's IPC index, totaling 2.42 billion pesos, and Casa de Bolsa Santander Serfin, with 2 offerings totaling 366 million pesos.



## Short-Term Issue Authorizations

Instrument	2004		2005	
	No.	Amount	No.	Amount
Commercial Paper	16	43,678	3	3,566
Short-term "Certificados Bursátiles"	51	55,651	53	88,000
<b>TOTAL</b>	<b>67</b>	<b>99,329</b>	<b>56</b>	<b>91,566</b>

Million pesos

### V. Mutual Funds

Nineteen mutual funds were listed, with a total authorized capital stock of 135.80 billion pesos, 8 of them fixed-income and 11 of them stock funds. In addition, 8 SIEFORES were listed, whose authorized capital stock totaled 2.4 trillion pesos.

### VI. Fixed-income securities on the BMV Global Market (International Quotations System)

The first foreign issuer to list fixed-income securities on the BMV Global Market was Merrill Lynch & Co., which placed 1 billion pesos in fixed-income certificates, out of a US\$40 billion program listed on the London Stock Exchange.

### VII. Foreign Investment

At the close of the year covered by this report, there was a total of 106.55 billion dollars in foreign investment in the Mexican stock market, 67.10% of which corresponded to American Depositary Receipts (ADRs); 29.91% to unrestricted subscription shares; 2.97% to shares that make up the Neutral Fund; and the remaining 0.02% to warrants. The total amount of foreign investment was 44.06% higher than at the close of the preceding year.



## Primary Activities in 2005

The activities of this Stock Exchange during year were conducted along the institutional strategic guidelines approved by the Board of Directors, which have been applied in recent years as an exercise in internal and external coordination, the latter primarily with the securities trade. The purpose is to ensure that this institution efficiently completes the activities inherent in its corporate purpose, to meet the needs of issuers, brokerage firms, banks, financial groups, investors and other important figures in the securities market.

All around the world, innovative technological tools are being introduced to perfect securities trading, while trading activity is intensifying in both equities and fixed-income securities. These trends, combined with our long-standing institutional goal of attracting more issuers to the market, have required a greater effort from all the areas that make up this institution, so that we can offer better services to the users that require them in a versatile, prompt and competitive manner.

The next section describes the activities we pursued in 2005, grouped under each of the institution's central strategic guidelines. We must also stress that, now more than ever, the Mexican Stock Exchange is placing special attention on technological innovation and building an efficient, competitive and secure electronic trading environment. For this reason, the Board of Directors has approved the allocation of sufficient resources and the measures necessary to ensure that we remain at the forefront in terms of technology and systems, particularly in light of the unrelenting pace of change in today's financial industry.

## I. Technological Innovation

### I.1 On the trading side

#### I.1.1 Program to expand system capacities

Since late 2004, new electronic schemes have been introduced for transmitting bids and offers (program trading), which meant a much greater demand for capacity in our trading systems. In response, in February of 2005 we began a program to increase the system capacity tenfold, in coordination with Bursatec, the Exchange's systems company. The main achievements to date have been:

- An increase in SETRIB message transmission speed from 10 to 45 messages per second.
- Clock synchronization. A mechanism was introduced for connecting the systems of brokerage firms and those of the Exchange to a master clock, common to all these systems and set up on the WAN network.
- Installation of memory cards: incorporation of a card that expands RAM capacity from 286 to 512 MB in the SENTRA trader terminals.

The Mexican Stock Exchange is placing special attention on technological innovation and building an efficient, competitive and secure electronic trading environment.



- Optimization of software components to eliminate queuing and make internal data retransmission processes more efficient.

- Extension of trade folio numbers. This variable was increased to up to 60,000 trades.

- Functional improvements in the Ask and increase in the variable for the number of messages to process (from 65,000 to 655,000).

- Broadcast messages. Increase in the variable that limits the maximum number of messages, from 11 to 25 messages per second.

- Extended parallelism: The number of reception processes was aligned with the number of bid distribution processes, eliminating bottlenecks.

In addition, new central equipment (HP Nonstop TANDEM S88000 mainframe) was installed, with greater processing and data storage capacity.

All the above improvements allow us to provide better services in the area of trading and preserve the principle of continuity and availability of trading mechanisms. Although much has been done, the project remains under way, and will ultimately ensure that the Mexican Stock Exchange always has the necessary equipment, systems and communications infrastructure, with sufficient conditions and capacities to meet the needs of the market.

### *I.1.2 SETRIB +*

Parallel and complementary to the above-mentioned capacity expansion program, an exclusive service was created for transmitting information associated with order routing in the capital market called SETRIB plus (SETRIB +), which reduced message volume by 80%.

Also in SETRIB, improvements were made to the process for validating the life-of-order line in orders received by SETRIB +, ensuring that the order date is no less than the Exchange's date of record and no greater than 30 calendar days ahead.

Finally, in response to a rising volume of orders through this system, a study was made of transmission formats. Ten points of improvement were found, and three requests from AMIB's systems committee were incorporated. These optimizations are expected to be fully operational by the first two months of 2006.

### *I.1.3 Program Trading*

With the aim of meeting brokerage firms' needs, the Mexican Stock Exchange proposed a formal set of coordination mechanisms with market participants, which would improve feedback in the planning and administration of the Exchange's processing capacities. A procedure was established that brokers must follow when starting up new automated trading schemes and order transmission algorithms to the equity market that alter their trading profile (number of orders, number of cancellations, ratio of bids to trades and ratio of cancellation to bids), and increase the requirements and informational uses of the Exchange's trading platform.

There are currently two brokerage firms that have this type of trading scheme, and two more are in the process of developing one.

#### *1.1.4 BMV SENTRA Capitaes Electronic Trading System*

This trading system has been under continuous development for a number of years, with several versions and suggested modifications, most of them from securities industry representatives and adjustments to fine-tune the trading process. This constant pace of change has made it difficult to assemble complete up-to-date information and documentation on the heart of the system.

In 2005, the Exchange tackled this imposing task, and with the support of Bursatec it began a process of reverse engineering of the BMV SENTRA Capitaes system, to obtain complete documentation on the system. This initiative was concluded in a satisfactory manner in December..

Also, to provide real-time information to traders in the capital market, SENTRA Capitaes was modified to distribute data on corporate actions and dividends corresponding to series listed on the local market and the BMV Global Market, assisting brokerage firms in their decision-making.

We adjusted and optimized the trading procedures of version 5.1 of this system, according to the proposals received by brokerage firms.

The most important features of this adjustment process were:

- In opening auctions, fluctuation parameters were eliminated so the market can better define the reference price; the assignment price continues to be reflected once the auction ends.
- Extension of folio numbers: Change of all protocols containing folio numbers, from 5 to 7 digits.
- Portfolio changes, market alarms and bids by brokerage firms. Procedures were modified to optimize terminal response times for lookup and refresh functions.
- Traditional crosses. The mechanism for calculating the number of shares a broker is open for was updated.

In another area, together with AMIB, we worked on the conceptual design of future developments in version 6.0 of the BMV SENTRA Capitaes system, which will be applied in the early months of 2006. These points were then presented to

the National Banking and Securities Commission for authorization, which is expected to be granted early next year. The new features to be included in that version are:

- Optimization of trading mechanisms for “best limit “ orders and “hidden volume” orders.
- Incorporate a special tick for cross trades on the BMV Global Market, improve the treatment of remaining volume and short sales included in the cross, and finally, establish a scheme for crosses within and outside of the spread.
- Secondary auctions. Allow for the discharge of odd lot bids, standardize random assignment and application procedures for extraordinary changes in series on the BMV Global Market.
- Market on close. Scheme for trading bids at closing price once the trading session has ended.

Trading security and systems access. Update rules and access policies for the trading system to improve its functioning.

#### *1.1.5 Optimization of SIVA lookups*

In order to update the processes for publishing information on continuous auctions and the participation of brokerage firms in the Capital market, and in response to the suggestions of AMIB’s Equity Market Committee, lookup functions were added to the SIVA system: “MCCOC Summary of Trades by Brokerage Firm” and “MCCDSU: Equity Market Auction Lookup”.



## *1.2 In Trading Contingency and Business Continuity Procedures*

Among the priorities of the Mexican Stock Exchange in the area of security is to keep the procedures to be followed in the event of problems or circumstances that affect business continuity, as well as for possible contingencies, up to date. It also conducts regular testing and drills to ensure that those procedures are working, because these aspects are fundamental to the operation of the market, its oversight in real time, and the reception and publication of information provided by issuers, primarily.

On this basis, in the area of trading continuity, the Exchange verified that the applications found in the systems of the alternate Computer Center located in Pachuca, Hidalgo, are fully up to date. We also regularly checked the functioning of equipment and systems at the contingency command control center located a few blocks away from the Exchange's main building.

Finally, we updated the Stock Exchange's Business Continuity Plan (BCP), in accordance with prevailing trading conditions and the observations that came out of the CNBV audit.

## *1.3 In Issuer Relations*

The Securities Listing System (SIV) was adjusted to receive and process information from the new version 3.0 of SECAP.

Adjustments were also made to the SIV and TANDEM systems, the Exchange's website, EMISNET (public offering announcement forms), to include the new types of securities created during

the year: bank securities certificates, government securities certificates (which were reclassified), fixed-income instruments on the BMV Global Market, and fixed-income instruments issued by foreign companies.

As part of our ongoing effort to improve monitoring systems used to ensure market transparency, the VIGIA system was installed in a new hardware platform (DB01) in 2005. The changes were substantial: the system was migrated to a central computer with greater capacity, and can now better respond to the increasingly demanding conditions in the market, particularly the intensity of order transmission and required speed of response.

The inclusion of other information input components in the central computer made the system more independent. VIGIA is now fully competitive with the systems of other development markets in terms of its capacity to detect unusual trading activity.

## *1.4 Stock Exchange Indices and Web Page*

The design and development work on a new system called SiBOLSA, which will replace SIVA Consulta, was completed last year. The new system will provide information on the capital market, issuers and mutual funds to individual and institutional investors. The new system will be marketed starting in 2006, and among the plans for this product are to integrate information from MexDer (the derivatives market) and ValMer (the price vendor) into future versions of the system.

As for the webpage of the Mexican Stock Exchange, at the end of the year, all the technological infrastructure was overhauled so that the webpage is now supported entirely by state-of-the-art technology. Design of a new version of the page has already begun, and should be launched sometime in June 2006.

# **II. Completing Markets, Products and Services**

## *II.1 BMV Global Market*

Since the launch of the BMV Global Market, which allows for trading in foreign securities listed on stock markets elsewhere in the world, qualified and institutional investors have participated actively in this market. Changes to the investment rules for retirement funds and the creation of new mutual funds have contributed to the growth of this international quotations

system, both to the number of instruments available and to the intensity of trading activity.

Accordingly, and in order to increase the supply of instruments, the Mexican Stock Exchange listed a number of stocks from the U.S. and Europe whose home exchanges are the New York Stock Exchange (NYSE), the National Association of Securities Dealer Automated Quotation (NASDAQ), the American Stock Exchange (AMEX) and the London Stock Exchange (LSE). Exchange (AMEX) y The London Stock Exchange (LSE).

Limited, and it is therefore backed by the nearest-expiration futures contracts on Brent crude.

(3) This instrument quotes as an Exchange Traded Fund (ETF) on the London Stock Exchange, and tracks a basket of 40 European corporate bonds.

Securities Listed on the BMV Global Market in 2005 (chronological order)		
Issuer	Type of Instrument	Home Market
EDIETS.COM, INC	Stocks	NASDAQ
COLGATE-PALMOLIVE CO.	Stocks	NYSE
MC GRAW-HILL COMPANIES, INC.	Stocks	NYSE
UTSTARCOM, INC.	Stocks	NASDAQ
I-SHARE COMEX GOLD TRUST (1)	ETF	AMEX
I-SHARE MSCI CANADA INDEX FUND	ETF	AMEX
I-SHARE MSCI EAFE INDEX FUND	ETF	AMEX
I-SHARE MSCI EMERGING MARKETS INDEX FUND	ETF	AMEX
I-SHARE MSCI EMU INDEX FUND	ETF	AMEX
I-SHARE MSCI JAPAN INDEX FUND	ETF	AMEX
I-SHARE MSCI PACIFIC EX-JAPAN INDEX FUND	ETF	AMEX
I-SHARE RUSSELL 1000 INDEX FUND	ETF	AMEX
I-SHARE RUSSELL 2000 INDEX FUND	ETF	AMEX
I-SHARE RUSSELL 3000 INDEX FUND	ETF	AMEX
LA JOLLA PHARMACEUTICAL COMPANY	Stocks	NASDAQ
ROYAL DUTCH SHELL PLC	Stocks	NYSE
BRENT OIL SECURITIES (2)	ETF	LSE
IBOXX EURO LIQUID CORPORATES (3)	ETF	LSE
MERRILL LYNCH & CO. INC. (4)	Notes (fixed income)	LSE
I-SHARE MSCI UNITED KINGDOM INDEX FUND	ETF	NYSE
I-SHARE MSCI HONG KONG INDEX FUND	ETF	NYSE

(1) One of the i-Shares pegged to the price of gold and currently listed on U.S. markets. This instrument offers investors a direct exposure to gold price fluctuations on international markets.

(2) This instrument tracks the price of Brent oil, in other words, the assets of Oil Securities

(4) The issue term is 10 years, and it expires on November 10, 2015. The securities are listed on the London Stock Exchange Gilt Edged and Fixed Interest Market.

## II.2 Comprehensive Issuer Services

In pursuit of the institution's ongoing quest to attract more issuers to the market and to offer better products and services to those already listed, many actions and initiatives were taken in 2005. The following section highlights the characteristics and scope of these efforts.

### II.2.1 2006 Issuer Facilities and Services Program

To promote securities market financing in both fixed-income and equities for mid-sized companies, the Mexican Stock Exchange is implementing a commercial strategy that will allow it to strengthen the support, activities and programs it uses to promote companies' access to the market and better serve those already in the market.

Although this program of facilities and services will not be the only or most important factor in companies' decision to enter the market, it may help to:

- Facilitate access to the Exchange, particularly for mid-cap companies.
- Expand listing services and improve the visibility of companies and brokerage firms.
- Support promotion and bring about a closer relationship between issuers, the Exchange, and brokerage firms.
- Improve general knowledge and perceptions of the market and the Exchange.

As an initial step in the program, inscription and maintenance fees will be waived for new Mexican issuers next year, with a greater emphasis on mid-sized companies, among other benefits.

The economic benefits of the program are intended to support companies in their process of institutional change, and to emphasize the listing services and visibility gained through the Mexican Stock Exchange.

For issuers, these benefits could mean reduction in BMV costs depending on the type of company and security to be listed, and discounts of between 20% and 25% on the cost of BMV listing for the company over a 5-year period.

The Program would apply to new Mexican issuers of equity and fixed income securities that make their offering in 2006, provided they do not already have securities listed on the market (with the exception of new issuers created out of the spinoff of already-listed companies, and public or state-owned enterprises).

2006 Program of Facilities for Issuers						
	Stock IPOs		Medium & Long Term Debt		Short-term Debt	
	S.E.+1,500 PsMn.	S.E.+1,500 PsMn.	S.E.+1,500 PsMn.	S.E.+1,500 PsMn.	S.E.+1,500 PsMn.	S.E.+1,500 PsMn.
Listing Fee Waived	√	√	√	√	√	√
Maintenance Fee Waived (first year)		√		50%		
Corporate Governance Consulting	√	√				
Promotion of Offering Events	√	√	√	√	√	√
Expedited Listing Process*	√	√				
Price Vector for Treasury Valuation, one year (Valmer)	√	√				
Emisnet and BMV Publishing Codes for one year	√	√				

The second measure in the Issuer Facilities and Services Program is institutional support in the area of corporate governance and company institutionalization.

Helping companies to build stronger corporate structures benefits both the market and the companies themselves, because it improves their capacity to grow and access securities-market financing. This is particularly true now that the new Securities Market Act--which will take effect on June 28, 2006--allows for a new type of company called Market Investment Promotion Corporations, which offer companies a way to gradually enter the equity market..

To support this gradual incorporation, the Mexican Stock Exchange has developed a guide on sound corporate governance practices, so that businesses can more easily plan their transition activities, timeframe and processes in this area, and thus facilitate their gradual access and compliance with the regulations.

Similarly, to help companies who enter as Investment Promotion Companies to make the transition, the Exchange may extend support to the interested company for hiring an external advisor to guide and support the compliance plan during the transition process, up to a maximum of 3 years.

### *II.2.2 In-forming the Market*

Within its strategy of support and promotion for companies, the Exchange has developed a concept called "In-forming the Market", a forum that allows issuing companies to meet those who may be acquiring their securities, to explain to them their operating and financial results, key achievements, and to define prospects and projections for the future. The aim of this is to generate more interest in investment and improve trading activity and price formation in the securities.

Four forums of this type were held during the year, on the following topics: (i) newly-listed Issuers; (ii) supermarket industry; (iii) beverage industry; and (iv) communications industry. The events were attended by more than 120 participants from the top management of the issuers and industries in question, along with analysts, traders, mutual fund and retirement fund managers, other institutional investors, promoters, and independent investment advisors. IN addition, more than 40 one-on-one sessions were organized between issuers and analysts.

### *II.2.3 Pro-moting the Market*

Another of our efforts to promote a greater awareness of the securities market and forge closer relations with potential and

current issuers and students, new events have been organized to promote investment instruments available through Mexican brokerage firms. These events were attended by high-level participants and presenters such as the Mexican Stock Exchange itself, Brokerage Firms, strategic partners, listed issuers, universities and potential issuers.

Over the course of the year, two "Pro-moting the Market" events were held, in the cities of Puebla and Aguascalientes. Attendees included high-level representatives from the leading companies of each region and local universities, in addition to a greater number of potential issuers and more than 400 students.

Toward the same end of participating in promotional activities and remaining in contact with issuers, the Exchange helped to organize the Third Mexican Investors' Forum and the Seventh International Investor Relations Symposium.

### *II.2.4 EMISNET*

One of the goals the Exchange has set for itself is to upgrade equipment and improve the functioning of the electronic systems that generate and send financial and corporate information, like EMISNET, SIFIC and SICERC.

In 2004, the technological equipment was updated and the Issuers Committee was instructed to create a work group on systems improvements. All issuers were invited to submit comments and suggestions, and more than 100 comments were received from 35 issuers.

The Issuers Committee assembled a work group of 8 companies to discuss the comments and make a proposal on accounting catalogs based on





Generally Accepted Accounting Principles (GAAP), agreed upon with AMIB's Research Committee.

Later, the changes to the new catalog of financial information were negotiated with the various participants, as a necessary step toward enhancing the functionality and design of the EMISNET page.

During the year, the proposed modifications were made to the systems and the new version is expected to be launched in the first quarter of 2006. That release will allow companies to upload information into the system, automate processes, create greater security in the information transmission process, and allow for more detail in the information that issuers supply to the market. In these efforts, 625 users received training between November 28 and December 16.

benefits of listing, among other matters.

### II.2.6 Automation of Securities Listing Process

In order to expedite and optimize securities listing processes, and particularly to facilitate the submission of documentation for beginning the listing application process, the Exchange began receiving files electronically, eliminating the need for delivery of printed information and thus cutting down on workload and times for potential issuers.

### II.3 FIBRAS Project (Real-Estate Infrastructure Trusts or Funds)

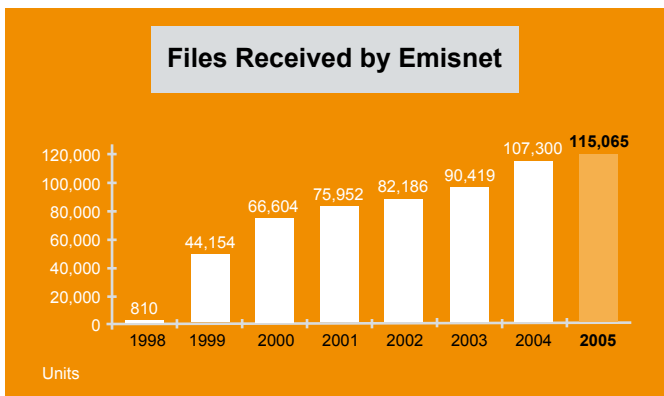
Work on this project continued in 2005, and we are now expecting the first FIBRA issue next year. In some developed markets, this instrument is known as a REIT (Real Estate Investment Trust or Real Estate Income Trust). The instrument allows for the securitization of productive real estate and a wide variety of structuring options.

	1998	1999	2000	2001	2002	2003	2004	2005
Mutual Funds	0	41,171	63,715	67,123	71,027	74,192	78,435	78,815
Financial Information	77	1,312	1,392	1,395	1,287	1,320	1,446	1,381
Corporative Information	773	1,671	1,497	7,434	9,872	14,907	27,419	34,869
<b>TOTAL</b>	<b>810</b>	<b>44,154</b>	<b>66,604</b>	<b>75,952</b>	<b>82,186</b>	<b>90,419</b>	<b>107,300</b>	<b>115,065</b>



### II.2.5 New Promotion and Service Area for Potential Issuers

In order to encourage closer communication with mid-cap and potential issuers, the BMV contracted the services of IPSOS BIMSA, a renowned market research agency, to identify the factors that influence the institution's image at present, as well as the messages it might use to begin promoting itself toward companies eligible for listing on the Exchange. With that information, the new specialized area will work on advising potential issuers on the available products, the established requirements, and the



Considerable progress was made in their design, the requirements that will be established for their listing on the Exchange, and the proposed tax treatment to ensure their use



### Information Requests from BMV Issuers 2004 vs. 2005

	2004	2005	Nominal Change	Change %
Requests for Information	386	707	321	83.16

and trading; these points are being reviewed together with the corresponding authorities.

## II.4 BOVESPA Pilot Plan

As part of the regional integration project proposed by the Iberoamerican Federation of Stock Exchanges (FIAB), the Mexican Stock Exchange set up a pilot integration program with the Sao Paulo stock exchange (BOVESPA), to encourage investors from both financial centers to invest in the securities of the other market, through their own brokers.

To develop this project, work groups were created to analyze the legal, operative and technical aspects of integration. One central concern was to ensure that investors had information on the corresponding issuers at the same time it is presented in the home market. To this end, a flow of information was defined for publication via EMISNET, and the project is expected to crystallize in the first quarter of 2006.

## III. Oversight, Self-Regulation and Compliance

### III.2 Issuer Oversight

In order to improve market monitoring and tracking activities, the activities of the Exchange's Market Oversight Department were divided to allow for greater specialization of these activities, and finally enhanced supervision in general. Now, we have monitoring and tracking areas, which also allows for a more natural incorporation of new supervisory activities, in addition to the previous ones, as described below.

#### III.1.1 Monitoring Domestic and Global Markets

The Department kept track of all aspects pertaining to issuer monitoring on the domestic and global markets, in the news published by specialized journals as well as various news services (Reuters, Bloomberg, Infotel), and unusual movements or suspensions during trading hours.

Some issuers were asked to supply more information when there was an unusual movement in the price of their stock; suspended when they surpassed established fluctuation limits; when there was news not reported on EMISNET that was already public domain, and could also influence the trend in the stock price; if some material event was reported incompletely or unclearly and/or in the opinion of the Exchange, clarification was needed on the financial or corporate information.

In 2004, 386 clarifications and/or comments were requested from issuers or brokerage firms. In 2005, 707 clarifications and/or comments were requested, meaning that 83.16% more events were detected, reviewed and followed up on than in the previous year.

These figures can be attributed to increased funding for this areas' activities, and a closer tracking by the Market Oversight Department, supported by the Comprehensive Issuer Service area. We also succeeded in lowering response times and increasing issuers' interest in their stock's trading activity on the market.

Because of the increase in the number of issuers listed on the BMV Global Market, the spectrum of news, processes and markets to monitor has also broadened in a similar degree.



plan, since the rest included the 22 issuers whose listing would be canceled and two more in the process of de-listing (GACCION, GFSCITIA), which together with PLAVICO (in cancellation listing) are those that have to date been removed from the Exchange registry. SAVIA was not asked for a plan because its unique legal and corporate situation.

This year we placed greater emphasis on the analysis and scope of the corrective plants, checking to ensure that they included actions that were viable and consistent with the deficiencies the companies were showing, and with the time frame each of them established for meeting these commitments.

### III.1.4 Proposed Modification of Listing Maintenance Requirements (trading and waiting modes)

Another analysis was conducted to identify requirements and limits for maintaining listing, more in keeping with the Mexican market and international standards, and to find a better way to set up an appropriate trading scheme for securities with trading deficiencies.

After various conceptual, mathematical and statistical studies, a proposal was prepared, and on the basis of its review, specific areas and limits were proposed to determine what

type of trading the securities should enter. The proposal is planned for implementation in 2006, after it is validated by the National Banking and Securities Commission.

To complement this analysis, we found that it was best to work in a form of free float calculation that is more in keeping with our market and with international practices, so the proposal on listing maintenance requirements also includes the adoption of new calculation method, which will take effect in 2006.

### III.1.5 Suspensions

With regard to suspensions, the table below summarizes the number of times issuers were suspended from trading on the securities market, broken down according to the reasons for the suspension, and comparing the 2005 figures against 2004.



<b>Suspensions 2004 vs. 2005</b>				
Reason for Suspension	2004		2005	
	Number Suspended	% Of Total	Number Suspended	% Of Total
Surpassed Limits	137	76.97	47	65.28
Failure to Deliver Financial Information	4	2.25	6 (1)	8.33
Fixed-Income Issuer Failing to Deliver Financial Information.	12	6.74	4	5.55
Technical Problems and/or Brokerage Firm Errors	13	7.30	10	13.88
Spinoffs, Public Offerings and Price Fixing	4	2.25	2	2.78
Event Relevant	1	0.56	0	0.00
CNBV Order	0	0.00	0	0.00
Avoid Disorderly Conditions	2	1.12	0	0.00
Unusual Movements	1	0.56	0	0.00
Issuer Request (2)	4	2.25	2	2.78
Failure to meet Listing Requirements (3)	0	0.00	1	1.39
<b>TOTAL</b>	<b>178</b>	<b>100.00</b>	<b>72</b>	<b>100.00</b>

Issuer series of stocks, CPOs, debentures and Fixed-Income

1. Updated suspension of DERMET B. Initially suspended at the company's request and later for failure to deliver financial information. Currently trading.

2. EMPAQ, AGRIEXP AND PROCORP.

3. UNEFON, for failing to maintain a minimum float of 12%.

### III.1.6 Continuous Auctions

With the entry into effect of a new type of trading called Continuous Auction, which was introduced on October 25, 2004, a great number of series that had fallen short of listing requirements and also experienced abrupt fluctuations on the market, were able to improve their trading conditions, because each time an auction begins, a notice is sent to the market, giving investors more time to respond: an extra hour to participate in trading these securities. This substantially reduces the number of suspensions for exceeding trading limits.

Since the continuous auction was introduced, the Market Oversight Department has been conducting a monthly review of the listing maintenance trading requirements, in four basic areas: number of trades, number of investors, percentage of capital stock, and float.

As the table below indicates, in 2005 the number of series incorporated into the continuous auction trading system declined considerably, from 59 as of October 25, 2004 to 51 at the close of 2005.

At the same time, this scheme has encouraged a great number of issuers (15) to increase the amount of trading in their series, and generally to amend the areas in which they fell short of certain requirements, and thus to resume continuous trading.

Issuer-Series in Continuous Auction (as of December 31, 2005)	
Issuer-series that began continuous auction on Oct. 25, 2005	59
Issuer-series currently in continuous auction	51
Total issuer-series that have been in continuous auction 814 mos.)	74
Issuer-series remaining in continuous auction	38
Issuer-series that have not traded in continuous auction	13
Issuer-series that returned to continuous trading and remain there	15
Issuer-series suspended or canceled	8

Additionally, we studied the change in the number, volume and value of trades in the continuous auction and continuous trading modes. The evaluation incorporated a total of 74 issuer-series that have been in continuous auction trading, and the 38 issuer-series that were traded in this mode and remain there at present.

Trading Continuous Auction vs Continuous Trading			
Trading Scheme	Trades	Volume	Value
Continuous Trading August 1, 2003 October 22, 2004 (14 Months)	5,188	232,106,000	2,099,192,000
Continuous Auction October 25, 2004 December 31, 2005 (14 Months)	4,407	77,784,600	2,536,114,039
Change	(781)	(154,321,400)	436,922,039
% Change	(15.05)	(66.49)	20.81

Out of 38 series that were Traded in Continuous auction and remain there

### III.1.7 Financial Information

With regard to the submission of financial information, in March 2003 the CNBV strengthened rules on information disclosure by issuers in the market (including those with medium- and long-term debt as well as trusts) in its publication of "General provisions applicable to securities issuers and other participants in the securities market" (known as the Unified Issuer Bulletin).

In the first year this regulation was applied to fixed-income issuers, the number of companies in breach of the requirements



rose sharply (13 issuers in 2004), but with steady work, this number was reduced to only 4 in 2005.

Bearing in mind how important financial information is for the market, and that this area was a factor in a substantial percentage of the total suspensions, we find that 18 issuers were suspended in 2004--5 equities and 13 fixed-income--for problems relating to financial information, but this number was reduced by 50%, to 9 in 2005 (5 equities and 4 fixed-income issuers), which are broken down in the following table.

The Mexican Stock Exchange cannot suspend companies that list only fixed-income securities from trading, because corporate fixed-income and trust securities are not traded in the SENTRA Captales system. In these cases, the Exchange issues a notice regarding the failure to submit the appropriate

information and, in keeping with the Unified Issuer Bulletin, traders and brokers must refrain from trading in these securities.

### III.1.8 Exceptions

In reviewing the 2005 information, and in keeping with the Unified Issuer Bulletin, for the fifth year in a row the Exchange examined the opinions of external auditors on the annual information submitted by issuers in the months of April and May.

As a result of this review, in 93 of the 262 audits performed, the Exchange found

Suspensions Due to Failure to Deliver Financial Information 2004 vs. 2005					
		2004		2005	
	Type of Financial Information	Total Suspended Issuers	Total Suspended Series	Total Suspended Issuers	Total Suspended Series
February	4th Qtr. Preliminary	1	1	1	1
	Fixed-income Issuers NOTICE of Failure to Deliver Information	2	2	0	0
April	1st Qtr.	1	1	2	2
	Fixed-income Issuers NOTICE of Failure to Deliver Information	1	1	0	0
May	Audited 4th Qtr.	2	2	1	1
	Exceptions	0	0	1	1
	Fixed-income Issuers NOTICE of Failure to Deliver Information	8	11	3	10
June	Annual Report	0	0	0	0
	Code of Best Corporate Practices	0	0	0	0
	Fixed-income issuers A.R. & CBCP Notice	2	2	0	0
July	2nd Qtr.	1	1	0	0
	Fixed-income Issuers NOTICE of Failure to Deliver Information	0	0	1	1
October	3rd Qtr.	0	0	0	0
	Fixed-income Issuers NOTICE of Failure to Deliver Information	0	0	0	0
	<b>TOTAL</b>	<b>18</b>	<b>21</b>	<b>9</b>	<b>16</b>

90 notes or clarifications, 2 paragraphs on exceptions, and just one abstention. For this third time, new provisions included in the Unified bulletin on this matter were applied, and in exercise of the Exchange's faculties with regard to information disclosure, 2 issuers were suspended for exceptions in 2005.

In any case, it should be noted that 99% of the issuers that were asked for complete or partial transcriptions of their auditors' opinions through EMISNET, including in some cases clarifications of notes or paragraphs to add emphasis, complied.

report this type of information in those periods dropped by 40% (from 30 to 18).

Total Stock Buybacks					
General	Aug-Dec 04 (5 months)		Aug-Dec 05 (5 months)		Aug-Dec 04/ Aug-Dec 05
	No	%	No	%	%
Total de Reports	1,340	100.00	1,378	100.00	2.84
Total Failures to report	30	2.24	18	1.31	(40.00)

This reduction was the result of new market oversight measures that involved intensified follow-up for companies that had submitted late reports, including meeting with the issuer's representative to improve their awareness of the information they must report to the Exchange.

Audit Exceptions				
Presentation of Exceptions in 2005	Issuers	Written Request from Exchange	Suspension	Disclosure Through Emisnet
Exceptions	2	-	-	2
Mentions – Clarifications	90	-	1	89
Abstentions	1	-	1	1
<b>TOTAL</b>	<b>93</b>	<b>-</b>	<b>2</b>	<b>92</b>

2004 Financial Statements  
(Revised in April and May 2005)



### III.1.9 Repurchases

As part of its duties in the area of self-regulation, through its Market Oversight Area, starting in August 2004 the Exchange intensified its efforts to follow up and apply corrective measures in instances of failure to appropriately report stock repurchase transactions by listed companies.

The following table compares equal periods of 5 months each, showing a 2.84% rise in the total number of reports of stock buybacks in August-December 2004 (1,340) against August-December 2005 (1,378). The total number of instances in which companies failed to

A number of the late reports received in 2005 had to do with modifications to transactions performed in 2004.

### III.1.10 Warrants

The Market Oversight area conducts a weekly review of warrant coverage and liquidity rules, and consistently found that the coverage indicators for this type of security was within the guidelines established by current regulations. There was a considerable increase in the number of warrant issues in 3005, with 30 new issues, compared to 22 in 2004.

Warrants by Issuer		
Brokerage Firms	2004	2005
BANCOMER	3	0
BANORTE	0	5
SANTANDER	1	2
SCOTIA	18	23
<b>TOTAL</b>	<b>22</b>	<b>30</b>



### III.1.11 Valuation and Identification of Operative Mechanisms for Market Oversight

In 2005, the Market Oversight area enriched its sphere of action by participating in conferences organized by Securities Market Automated Research Trading and Surveillance (SMARTS), and investigating how other markets pursue their surveillance and oversight activities. From these activities, it was able to generate concrete proposals on how to improve the VIGIA monitoring system, setting new alerts and fine-tuning current alerts. This also meant an improvement in internal controls and processes, as well as the identification of a new project for cross-market surveillance.

### III.1.12 Short Sales

The Exchange continued to verify short sale transactions in an effort to keep its database as up to date as possible, given that cancellations of short balances are carried out specifically by the brokers.

The total amount of short sales in 2005 (4.27 billion pesos) was 8% higher than in 2004 (3.95 billion pesos).

## III.2 Oversight of Brokerage Firms

In monitoring market trading activity, the Exchange strives for the greatest possible transparency in trading and price formation. To this end, it regularly sends notices to the brokerage firm compliance officers when it detects unusual transactions in which there is the presumption of some breach of sound market practice. It has made a particular effort to identify and sanction activities such as order fragmentation, pre-arranging trades, churning, market manipulation and simulated trading. In cases where such activities were detected, the Market Oversight area acts in accordance with the disciplinary procedures included in its Internal Regulations.

The Exchange also works to continually improve the procedures for acting promptly whenever presumed irregularities appear in the securities market on the part of any Exchange member or trader.

## III.3 Self-regulation and Rules

One of the highlights of the year in terms of regulatory activities was the conclusion of a new Securities Market Act, which was approved by Congress and published in the Official Gazette of the Federation on December 30, 2005.

This new law, which was the fruit of various years' effort by the authorities and key participants in the securities industry, including the Mexican Stock Exchange, will take effect at the end of June next year. The most important features of the new Securities Market Act are:

- New forms of participation in the market for securities issuers and venture capital firms;
- Greater protection for investors;
- Redefinition of corporate governance and corporate practices;
- New definitions, types and forms of brokerage activity;

- Self-regulatory advances;
- Greater legal certainty in the market; and
- More precise definition of the role of the Authorities.

One of the most important changes in the new Act was made in the area of corporate governance and the structure of publicly-traded companies, now called "Market Corporations" (SAB's, by their initials in Spanish, primarily to specify the responsibilities and powers of the areas responsible for management and surveillance, and the actions of their board members and officers, as well as the rights of their shareholders. Also important is the framework proposed for the incorporation and functioning of Investment Promotion Companies (SAPI's), which under certain conditions and minimum corporate governance standards may conduct private stock placements without the need for a public listing on the Exchange.

The Act allowed this new type of corporation to become a market corporation if its shareholders feel it is appropriate, with all the responsibilities and effects that this implies, under the temporary category of "market investment promotion companies" (SAPIB's). In these cases, the conversion may take place over a maximum of three years, during which period the companies must comply with the requirements set by the Exchange in its Internal Regulations, and the Exchange must ensure that the companies meet those commitments on time and in the correct fashion.

Additionally, the Mexican Stock Exchange must carry out a series of activities in the areas of trading, compliance, systems and corporate matters, in order to adjust to the new provisions of the Act.

It is clear that the new Securities market Act will bring a greater number of issuers and investors to the securities market, but this will take place over the medium and long term, within a gradual process that will require substantial promotional efforts.

## IV. Market Development and Information Products

### IV.1 New Market Participants

In the year covered by this report, in addition to numerous public equity and fixed-income offerings and a general increase in stock market trading activity, one new brokerage firm requested admission as a member of this Exchange, and another applied for an expansion of the types of transactions it can perform on the Exchange

Protego Casa de Bolsa, S.A. de C.V., began trading as a limited member (non equity member) of the Exchange on March 14, 2005, which allows it to engage in brokerage activities with fixed-income securities only).

Casa de Bolsa Credit Suisse First Boston (Mexico), S.A. de C.V. changed its status from limited to full member (non shareholder), and began trading in the equity market on November 7, 2005.

Additionally, representatives of four other financial institutions were given information on the process of gaining access to the securities market, which are expected to present their respective applications some time next year.

### IV.2 Information Sale

The goal of the information area this year was to increase revenues from the licensing and sale of information for content sites. The growth in both these areas was more than 300%, which meant a growth of around 9% in overall revenues over budget, and 24% more than in 2004.

The IPC was licensed for use in 31 warrants, 2 over-the-counter (OTC) contracts on the IPC and three licensing contracts abroad.

Encouraged by the success of the IPC licensing, the Exchange plans to calculate and publish new Indices in 2006, with the support of the Technical Committee on Index Methodology, created in 2005. The first of this will be the HABITA index,

which tracks the performance of entry-level and middle-income housing builders, and warrants are expected to be created with this index as a benchmark, some time in the first quarter of 2006.

With regard to the web sites that publish information from this Exchange, the growth was also impressive, with 14 new clients from around the world, particularly from the United States.

Over the past ten years, the most significant portion of the revenues earned by the information area have been from the sale of real-time information to the terminals of 11 re-distributors. This year the count stood at 7,619 terminals, unchanged from 2004.

Through control measures introduced two years ago, the area recovered revenues of US\$130,000, and began to regularize services distributed by clients that were not reporting their end users to the Exchange. In 2006, this effort is expected to contribute positively to the institution's revenues.

In coordination with the Technical Committee on Index Methodology, the calculation rules and methodologies for the IPC index and Total Yield Index (known as the RIT) were

reviewed in order to have a more widely-distributed index and closer to international prices. This committee also found a need for new Indices that meet the market's diverse needs for benchmarked instruments.

### IV.3 Project Planning and Administration

The area responsible for systematically tracking the progress of projects authorized for each year, along with any new projects that come up, focused on the areas outlined in the following table, some of which have been described in other sections of this report.

In planning for 2006, the Exchange has formulated fifteen new projects of various sizes, primarily for optimizing and automating operating processes and offering new products or services. These were selected based on their impact and consistency with institutional strategic directions, among other aspects.



PROJECT	DESCRIPTION
"10 times peak"	Measures to increase the capacity of the BMV-SENTRA Captales and SETRIB systems to handle the rising volume of trades produced by program trading among some brokerage firms. Current capacity is 5 times peak volume.
SENTRA Documentation	Reverse engineering of the central system of BMV-SENTRA Captales, to obtain documentation of the system and train more qualified maintenance and development personnel. The project concluded on December 2, 2005.
Redesign of EMISNET page	Adjustments to page in order to incorporate institutional standards adding input functionality that will allow users to send information to the market. The release date is programmed for March 2006.
SiBOLSA	With the licensed technology of Infobolsa, an information services subsidiary of the Madrid stock exchange and the Deutsche Börse group, a new product was designed to distribute proprietary BMV information safely and in a controlled manner, over the Internet. The first version of this system will be released in the first quarter of 2006.
DB01 Migration	Following problems in the server for the VIGIA system, a new, higher-capacity server was purchased. The new server was launched error-free on July 4th.
VIGIA Fine-tuning	Improvements and correction of various defects in the VIGIA system used by the Market Oversight Area. The project will be released in February 2006.



## V. Institutional Promotion

In 2005, the Mexican Stock Exchange continued to sit on various technical and governance committees of international organizations like the Ibero-American Federation of Stock Exchanges and the World Federation of Exchanges.

In addition to the promotional efforts discussed in an earlier section of this report, aimed particularly at prospective issuers for the market, and active issuers, representatives of this institution took part in a number of forums, both in Mexico and abroad, to tell audiences about the securities markets and the products and services available to them. Many of these efforts were conducted in coordination with the AMIB.

In 2005, the Mexican Stock Exchange continued to sit on various technical and governance committees of international organizations like the Ibero-American Federation of Stock Exchanges and the World Federation of Exchanges.



## *Vision for 2006*

Every new year brings different challenges, goals to attain, projects to conclude, and special circumstances that affect institutional activities. Although the Mexican Stock Exchange has had its strategy and basic lines of action mapped out for several years, in 2006 it will focus on two topics that are essential to the market's future.

The first of these is clearly technology. Next year the Exchange will continue to fortify its technological infrastructure, equipment and systems, to guarantee that transactions are conducted in a climate of information security and capacity demanded by the new forms of trading.

To this end, it has assembled the necessary human and material resources, and has a solid understanding of the new market environment and the importance of remaining at the forefront in the services it supplies. It is widely evident in today's globalized world that markets are growing increasingly integrated, and the competition between their trading platforms is intensifying.

The second basic topic of concern for the Exchange will be attracting new fixed-income and equity issuers to the market. The Exchange has been working continuously on this effort, but it needs to intensify actions toward increasing the supply of securities available, particularly given the growing needs of Mexican institutional investors, among other aspects.

Many of the projects for 2005, and the new plans for the coming year, represent progress in this direction. The imminent entry into force and application of the new Securities Market Act should also contribute to these purposes, and the Mexican Exchange will have the support of a new legal framework in its efforts.

The Exchange will be attracting new fixed-income and equity issuers to the market.



## Shareholders and Members

Corporate Name	Shareholder	Full Member (1)	Limited Member (2)
ABN AMRO Securities (México), S.A. de C.V., Casa de Bolsa			√
Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, integrante del Grupo Financiero Banamex (Formerly Acciones y Valores de México, S.A. de C.V., Casa de Bolsa, Grupo Financiero Banamex)	√	√	
Actinver Casa de Bolsa, S.A. de C.V. (Formerly Bursamex, S.A. de C.V., Casa de Bolsa)	√	√	
Banc of America Securities Casa de Bolsa, S.A. de C.V., Grupo Financiero Bank of America			√
Casa de Bolsa Arka, S.A. de C.V., Arka Grupo Financiero	√	√	
Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte	√	√	
Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer	√	√	
Casa de Bolsa Citibank, S.A. de C.V., Grupo Financiero Citibank	√		√
Casa de Bolsa Credit Suisse First Boston (México), S.A. de C.V., Grupo Financiero Credit Suisse First Boston (México)		√	
Casa de Bolsa Santander Serfin, S.A. de C.V., Grupo Financiero Santander Serfin	√	√	
Deutsche Securities, S.A. de C.V., Casa de Bolsa	√		√
Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex	√	√	
GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM	√	√	
HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC (Formerly Casa de Bolsa Bital, S.A. de C.V., Grupo Financiero Bital)	√	√	
ING (México), S.A. de C.V., Casa de Bolsa, ING Grupo Financiero	√	√	

Corporate Name	Shareholder	Full Member (1)	Limited Member (2)
Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones	√	√	
Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa	√	√	
Invex Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero	√	√	
IXE Casa de Bolsa, S.A. de C.V., IXE Grupo Financiero	√	√	
J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero	√		√
Merrill Lynch México, S.A. de C.V., Casa de Bolsa	√	√	
Monex Casa de Bolsa, S.A. de C.V. (Formerly CBI Casa de Bolsa, S.A. de C.V., CBI Grupo Financiero)	√	√	
Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero	√	√	
Protego Casa de Bolsa, S.A. de C.V.			√
Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat	√	√	
UBS Casa de Bolsa, S.A. de C.V.		√	
Valores Mexicanos Casa de Bolsa, S.A. de C.V.	√	√	
Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero	√	√	
Vector Casa de Bolsa, S.A. de C.V.	√	√	



(1) Full member. Authorized to engage in equity and fixed-income market trading activity

(2) Limited member. Authorized only to engage in fixed-income market trading activity

## *Corporate Officers*

Pedro Zorrilla Velasco

José Manuel Allende Zubirí

Catalina Clavé Almeida

Pedro Díez Sánchez

Antonio Villarruel Lagos

Sandra Gómez Bessa

Salvador Herrera Montiel

Guillermo Medina Arellano

Clementina Ramírez de Arellano M.

Chief Executive Officer

Issuers and Securities

Information and Products

Market Oversight

Operations

Institutional Relations

Statistics

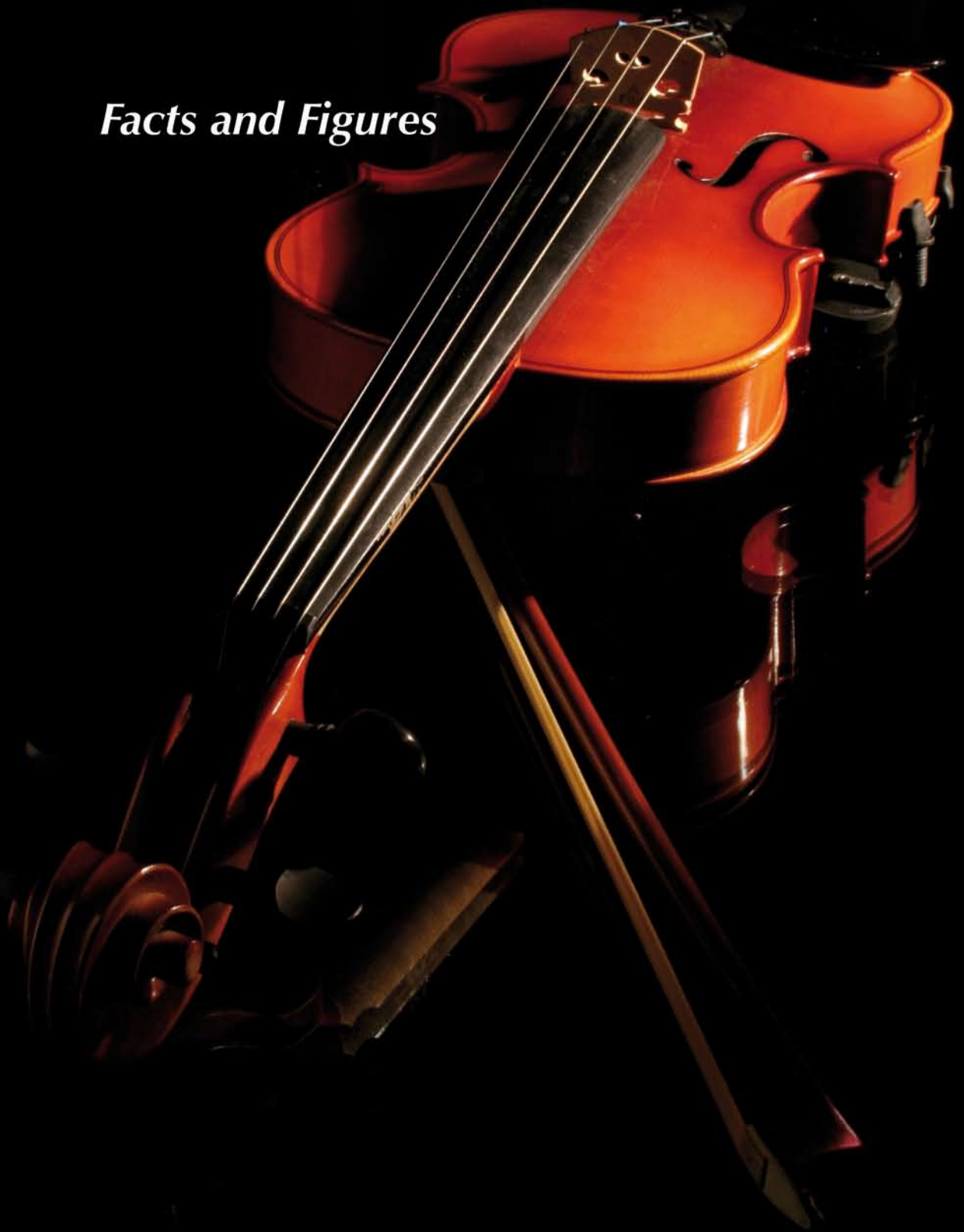
Communications

Legal Affairs





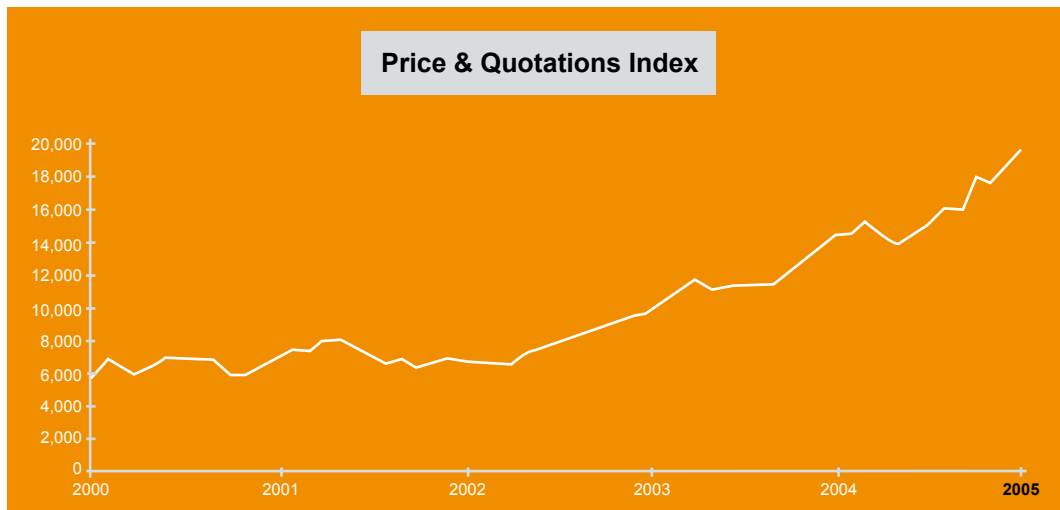
*Facts and Figures*



## Stock Market Indexes

Index	Historic High		Nominal % Change				2005	Accrued 01 /05	2005		
			2001	2002	2003	2004			High	Low	Last
IPC	18,054.03	14-Dic-05	12.74	(3.85)	43.55	46.87	<b>37.81</b>	214.97	18,054.03	11,739.99	17,802.71
INMEX	1,050.74	14-Dic-05	12.90	(6.39)	46.93	52.70	<b>38.54</b>	228.47	1,050.74	679.25	1,037.98
IMC30	274.60	29-Dic-05	9.39	4.98	66.21	37.95	<b>9.50</b>	188.34	274.60	223.05	273.52
IRT	19,302.79	14-Dic-05	-	(3.32)	46.86	49.73	<b>41.11</b>	111.28	19,302.79	12,367.33	19,115.61
IDIPC	107.34	20-Dic-05	-	0.53	2.31	1.91	<b>2.41</b>	4.37	107.34	104.81	107.34
HABITA	552.90	27-Dic-05	-	1.58	115.61	60.68	<b>43.07</b>	129.89	552.90	382.11	551.18
Mining	21,039.19	09-Dic-05	(53.90)	59.68	165.11	60.59	<b>21.14</b>	279.65	21,039.19	14,566.19	20,213.57
Manufacturing	4,630.03	29-Dic-05	(9.67)	8.09	18.46	41.08	<b>10.87</b>	80.90	4,630.03	3,760.48	4,611.13
Construction	31,374.43	14-Dic-05	33.53	3.49	42.56	45.90	<b>43.98</b>	313.87	31,374.43	19,990.86	30,742.86
Retail	28,760.74	14-Dic-05	15.41	(8.41)	35.79	30.77	<b>38.38</b>	159.73	28,760.74	19,264.52	27,731.28
Comm. & Transport	82,476.94	14-Dic-05	6.17	(9.49)	48.96	53.40	<b>42.66</b>	213.23	82,476.94	49,584.63	80,358.84
Services *	2,289.75	21-Sep-05	27.57	(4.07)	31.91	68.37	<b>15.40</b>	213.67	2,289.75	1,769.78	2,143.84
Holding & Others	5,424.47	14-Ago-97	6.45	5.02	46.32	37.56	<b>22.87</b>	176.48	5,405.61	3,884.37	5,405.61

\*Includes banks, brokerage firms, financial groups, bonded warehouses and other services



## Capitalization Value

### Stock Market

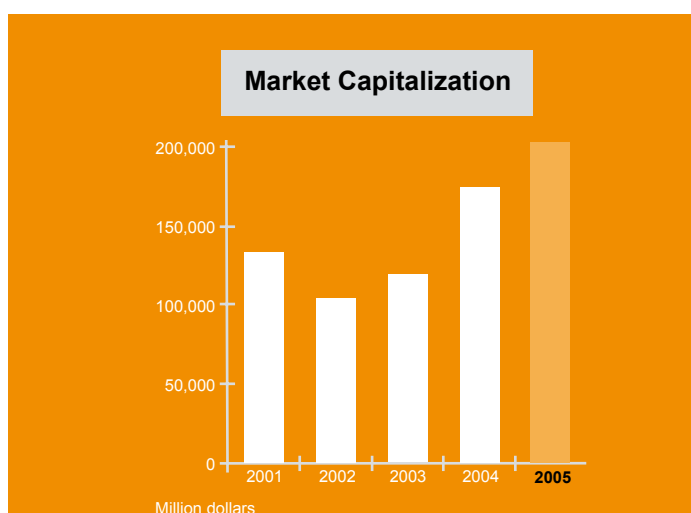
Year	Listed Companies	Listed Series	Capitalization Value *		% Change	
			Pesos	Dollars	Pesos	Dollars
2001	172	250	1,157,600	126,620	(3.78)	0.75
2002	169	233	1,079,221	104,652	(6.77)	(17.35)
2003	158	215	1,376,927	122,546	27.59	17.10
2004	151	201	1,916,618	170,142	39.20	38.84
<b>2005</b>	<b>150</b>	<b>198</b>	<b>2,544,025</b>	<b>236,045</b>	<b>32.74</b>	<b>38.73</b>

(\*) Excluding mutual funds

### Main Stock Issues

Issuer	Series	Capitalization Value		% Market Share	Yield **
		Pesos	Dollars		
AMX	L	381,962	35,440	13.06	60.20
WALMEX	V	255,098	23,669	8.72	54.11
CEMEX	CPO	234,754	21,781	8.03	55.61
AMTEL	A1	178,764	16,586	6.11	61.94
TELMEX	L	177,058	16,428	6.06	22.78
TLEVISA	CPO	110,489	10,252	3.78	27.02
TELECOM	A1	95,968	8,904	3.28	38.24
GMEXICO	B	64,356	5,971	2.20	32.34
GCARSO	A1	61,218	5,680	2.09	29.45
FEMSA	UBD	55,528	5,152	1.90	31.74

(\*\*)Yield is nominal and includes ex rights adjustments  
Considering only high and medium-liquidity stocks  
Million pesos and Million dollars



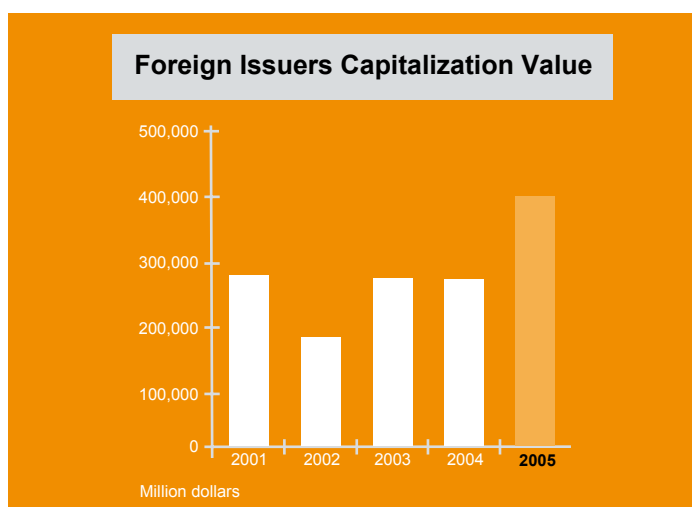
### Foreign Issuers

Year	Listed Companies	Listed Series	Capitalization Value		% Change	
			Pesos	Dollars	Pesos	Dollars
2001	1	1	2,432,546	266,076	10.44	10.46
2002	2	2	1,873,546	181,679	(22.98)	(31.72)
2003	2	2	2,798,084	249,028	49.35	37.07
2004	2	2	2,778,310	246,636	(0.71)	(0.96)
<b>2005</b>	<b>4</b>	<b>4</b>	<b>4,296,442</b>	<b>398,642</b>	<b>56.64</b>	<b>61.63</b>

### Stock Issues

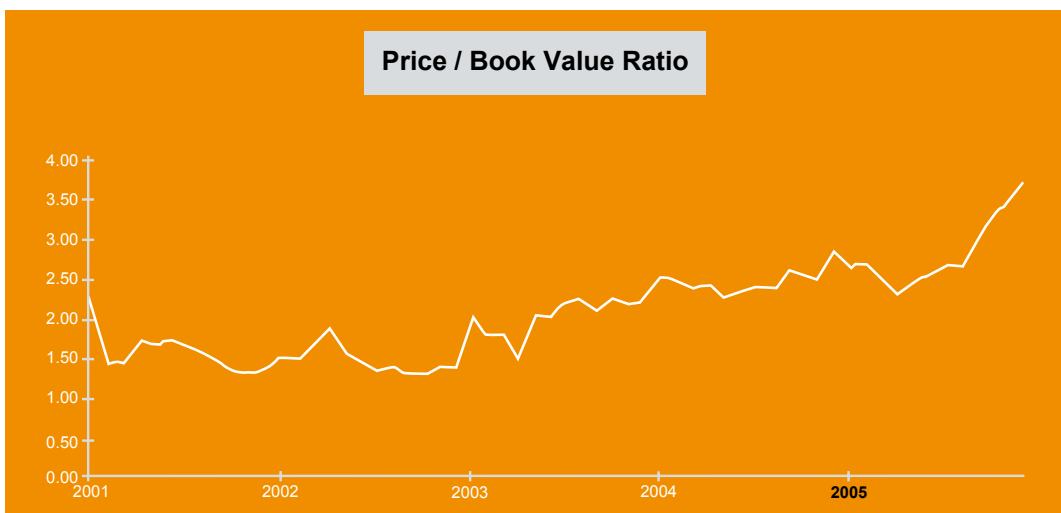
Issuer	Series	Capitalization Value		% Market Share	Yield **
		Pesos	Dollars		
C	*	2,616,166	242,739	60.89	(3.64)
SAN	*	879,041	81,561	20.46	0.44
BBVA	*	654,434	60,721	15.23	7.34
TS	*	146,800	13,621	3.42	132.00

(\*\*) Yield is nominal and includes ex rights adjustments  
Million pesos and Million dollars



## Price-earnings and Price-book value Ratios of the Stock Market

	Historic High		2001	2002	2003	2004	2005	2005 Monthly		
	Value	Date						High	Low	Last
Price/Earnings	22.65	Abr-95	15.56	12.53	17.91	14.57	<b>17.32</b>	17.81	13.51	17.32
Price/Book Value	3.70	Dic-05	1.39	1.39	2.20	2.82	<b>3.70</b>	3.70	2.27	3.70





# Securities Market Trading

## Value Traded

	Stock Market (1)		Fixed-Income Market		BMV Global Market		Capital Market (2)		Money Market (3)*		Total	
	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars
2001	354,221	38,036	7,182	770			366,444	39,346	40,029,192	4,366,567	40,395,636	4,405,913
2002	274,030	28,734	7,820	813			286,625	30,044	32,367,295	3,350,097	32,653,920	3,380,141
2003	273,915	25,402	9,709	902	2,537	230	290,376	26,926	76,341,382	7,078,609	76,631,758	7,105,535
2004	496,577	44,111	2,042	182	12,665	1,122	516,735	45,898	62,225,023	5,512,835	62,741,758	5,558,733
<b>2005</b>	<b>576,492</b>	<b>52,965</b>	<b>2,237</b>	<b>205</b>	<b>24,835</b>	<b>2,296</b>	<b>611,087</b>	<b>56,157</b>	<b>68,473,428</b>	<b>6,285,714</b>	<b>69,084,514</b>	<b>6,341,871</b>

## Trading Volume of the Stock Market

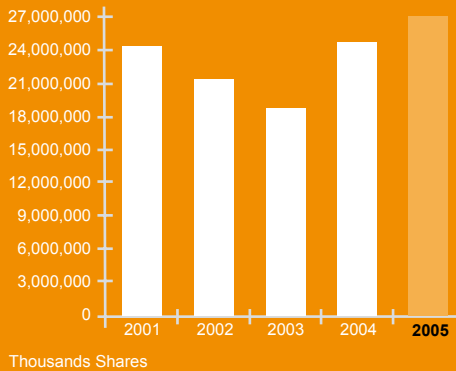
	Volume (1)	Daily Average	Annual % Change
2001	24,638,140	97,770	35.77
2002	21,135,359	84,205	(13.88)
2003	18,818,405	74,974	(10.96)
2004	25,041,709	97,439	29.96
<b>2005</b>	<b>26,664,841</b>	<b>104,568</b>	<b>7.32</b>

## BMV Global Market Traded Volume

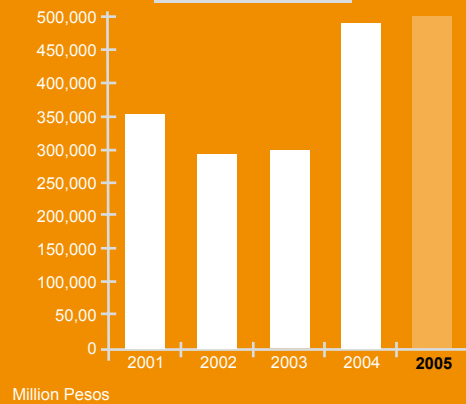
	Volume	Daily Average	Annual % Change
2001			
2002			
2003	5,561	40	N.A.
2004	28,105	112	178.76
<b>2005</b>	<b>58,016</b>	<b>229</b>	<b>105.61</b>

1. Does not include mutual funds, warrants, indexed bank bonds or public stock offerings  
 2. Includes mutual funds, warrants, indexed bank bonds and BMV Global Stock market  
 3. Includes metals market  
 (\*) Amount traded by SIF Icap  
 Million pesos and thousands shares

## Trading Volume



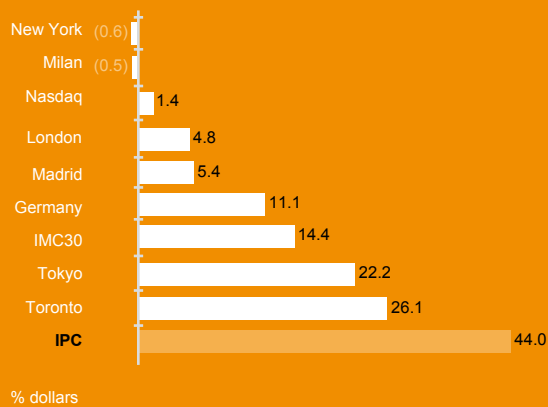
## Traded Value



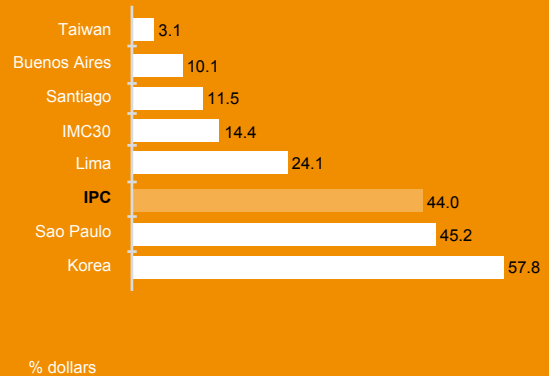
## International Markets Indexes

		30-Dec-05	31-Dec-04	% Change	
				Nominal	Dollars
<b>Mexico</b>	<b>IPC</b>	<b>17,802.71</b>	<b>12,917.88</b>	<b>37.81</b>	<b>44.04</b>
	<b>IMC30</b>	<b>273.52</b>	<b>249.79</b>	<b>9.50</b>	<b>14.45</b>
<b>Developed Markets</b>					
Germany	Xetra Dax PF	3,965.16	2,892.63	27.07	11.09
London	FTSE 100	4,476.90	3,940.40	16.71	4.84
Madrid	General	807.98	633.99	20.56	5.39
Milan	MIBTel	19,922.00	17,485.00	13.78	(0.53)
Nasdaq	Composite	2,003.37	1,335.51	1.37	1.37
New York	DJ Industrial	10,453.92	8,341.63	(0.61)	(0.61)
Tokyo	Nikkei 225	10,676.64	8,578.95	40.24	22.23
Toronto	S&P/TSX Composite	8,220.89	6,614.54	21.91	26.09
<b>Emerging Markets</b>					
Buenos Aires	Merval	1,071.95	524.95	12.21	10.06
Korea	KOSPI	810.71	627.55	53.96	57.79
Lima	General	2,435.04	1,391.97	29.43	24.07
Santiago	IGPA	7,336.67	5,019.64	2.72	11.49
Sao Paulo	Bovespa	22,236.39	11,268.47	27.71	45.24
Taiwan	TSE Weighted	5,890.69	4,452.45	6.66	3.13

### Developed Markets

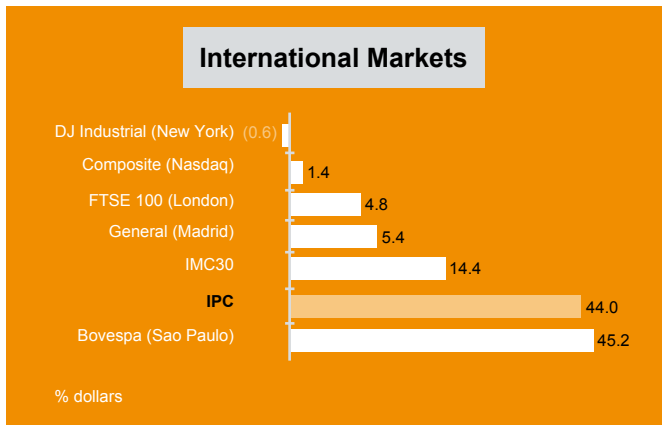


### Emerging Markets





		30-Dec-05	31-Dec-04	% Change	
				Nominal	Dollars
<b>Mexico</b>	<b>IPC</b>	<b>17,802.71</b>	<b>12,917.88</b>	<b>37.81</b>	<b>44.04</b>
	<b>IMC30</b>	<b>273.52</b>	<b>249.79</b>	<b>9.50</b>	<b>14.45</b>
London	FTSE 100	5,618.80	4,814.30	16.71	4.84
Madrid	General	1,156.21	959.06	20.56	5.39
Nasdaq	Composite	2,205.32	2,175.44	1.37	1.37
New York	DJ Industrial	10,717.50	10,783.01	(0.61)	(0.61)
Sao Paulo	Bovespa	33,455.94	26,196.25	27.71	45.24

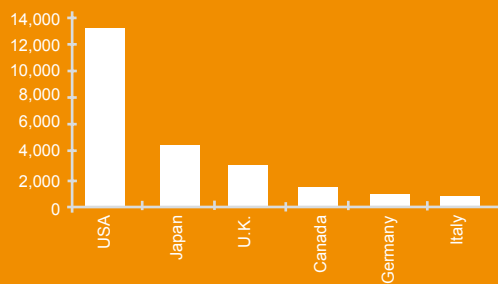


## Market Capitalization of International Markets

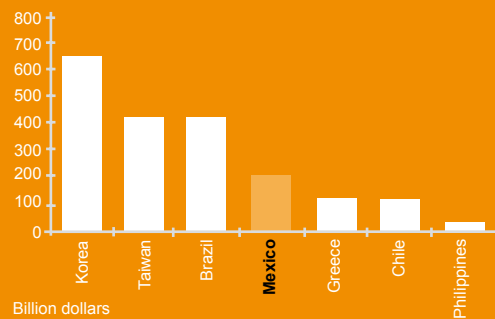
		2004 December	High	2005 Low	December	Change Dec 05 / Dec 04
<b>Mexico</b>	<b>IPC</b>	<b>170.1</b>	<b>236.0</b>	<b>164.1</b>	<b>236.0</b>	<b>38.73</b>
<b>Developed Markets</b>						
Germany	Xetra Dax PF	1,194.5	1,221.1	1,119.3	1,221.1	2.23
USA	DJ Industrial	12,707.6	13,426.4	12,389.3	13,310.6	4.75
Japan	Nikkei 225	3,557.7	4,572.9	3,393.6	4,572.9	28.54
United Kingdom	FTSE 100	2,815.9	3,058.2	2,733.6	3,058.2	8.60
Canada	S&P/TSX Composite	1,177.5	1,482.2	1,144.2	1,482.2	25.87
Italy	MIBTel	789.6	803.2	707.9	798.1	1.08
<b>Emerging Markets</b>						
Brazil	Bovespa	330.3	480.0	318.5	474.6	43.68
Chile	IPSA	116.9	142.5	109.8	136.5	16.74
Korea	KOSPI	398.6	718.0	459.7	718.0	80.15
Philippines	PSE Composite	28.6	39.8	32.5	39.8	39.15
Greece	ATHEX General	125.2	145.1	120.0	145.1	15.87
Taiwan	TSE Weighted	443.1	476.0	407.2	476.0	7.44

Billion dollars

### Capitalization of Developed Markets



### Capitalization of Emerging Markets



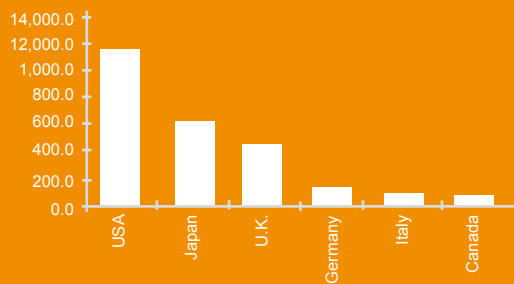
## Trading Statistics of International Markets

### Monthly Value Traded

		2004 December	High	2005 Low	December	Change Dec 05 / Dec 04
<b>Mexico</b>	<b>IPC</b>	<b>4.3</b>	<b>6.5</b>	<b>3.9</b>	<b>4.4</b>	<b>3.30</b>
<b>Developed Markets</b>						
Germany	Xetra Dax PF	121.6	186.8	132.3	150.4	23.66
USA	DJ Industrial	1,064.7	1,355.7	1,036.2	1,158.5	8.81
Japan	Nikkei 225	263.8	623.5	244.5	623.5	136.34
United Kingdom	FTSE 100	434.4	529.3	422.7	451.2	3.87
Canada	S&P/TSX Composite	60.9	94.6	59.3	79.6	30.69
Italy	MIBTel	95.9	127.1	76.9	91.1	(5.05)
<b>Emerging Markets</b>						
Brazil	Bovespa	12.2	16.7	9.4	16.0	31.57
Chile	IPSA	1.2	2.0	0.7	1.8	49.75
Korea	KOSPI	56.9	159.9	61.7	159.9	180.79
Philippines	PSE Composite	0.3	1.0	0.3	0.4	18.10
Greece	ATHEX General	4.9	7.1	3.9	5.7	16.19
Taiwan	TSE Weighted	43.9	74.0	35.9	74.0	68.55

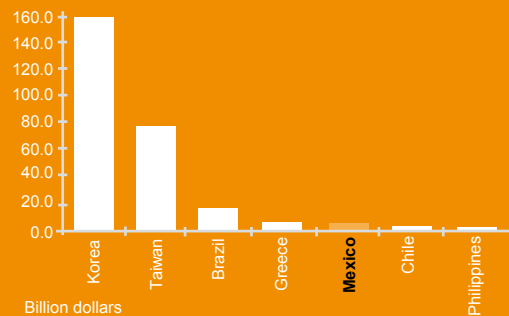
Billion dollars

### Value Traded Developed Markets



Billion dollars

### Value Traded Emerging Markets



Billion dollars



## Warrants

Issue	Serie	Opening Price Pesos	High	Low	Last	Issue Price	Nominal	Accrued % Change* Real	Dollars
IPC609R	DC145	15,415.00 19-Sep-05	15,415.00 19-Sep-05	15,415.00 19-Sep-05	15,415.00 19-Sep-05	12,239.00 31-Aug-04	25.95	23.78	30.77
IPC701R	DC155	18,845.00 19-Dec-05	18,945.00 19-Dec-05	18,845.00 19-Dec-05	18,945.00 19-Dec-05	15,381.00 18-Jan-05	23.17	20.12	26.02
IPC604R	DC158	11,550.00 05-Dec-05	11,685.00 15-Dec-05	11,550.00 05-Dec-05	11,650.00 20-Dec-05	10,000.00 18-Feb-05	16.50	12.70	20.66
IPC606R	DV025	13,950.00 04-Nov-05	13,950.00 04-Nov-05	13,800.00 28-Nov-05	13,800.00 28-Nov-05	14,700.00 11-Ago-05	(6.12)	(8.11)	(3.76)
IPC606R	DV026	14,285.00 04-Nov-05	14,285.00 04-Nov-05	14,060.00 28-Nov-05	14,060.00 28-Nov-05	15,000.00 07-Sep-05	(2.26)	(4.33)	(1.32)
IPC611R	DC177	16,540.00 08-Dic-05	16,540.00 08-Dec-05	16,540.00 08-Dec-05	16,540.00 08-Dec-05	16,767.07 22-Nov-05	(1.35)	(3.80)	(2.48)

\* Change calculated since offering date

### Warrant Trading

	Total Issued (A)	Number of Transaction (B)	Traded Value (C)	Value Traded Thousand Pesos	Turnover (C)/(A)	Average Volume per Transaction (C)/(B)
<b>Global Total</b>	<b>212,490</b>	<b>2,000</b>	<b>112,240</b>	<b>1,630,283</b>	<b>0.53</b>	<b>56</b>
<b>Total / Stocks</b>	-	-	-	-	-	-
Buy	-	-	-	-	-	-
Sell	-	-	-	-	-	-
<b>Total / Indices</b>	<b>212,490</b>	<b>2,000</b>	<b>112,240</b>	<b>1,630,283</b>	<b>0.53</b>	<b>56</b>
Buy	194,040	1,971	111,280	1,616,690	0.57	56
Sell	18,450	29	960	13,593	0.05	33
<b>Total / Basquet</b>	-	-	-	-	-	-
Buy	-	-	-	-	-	-
Sell	-	-	-	-	-	-

Trading figures do not include public offerings



## Short Sales

### Participation in Total Trading

Main Issuers	Value Traded	% Share
NAFTRAC	1,401,693	32.80
AMX	931,866	21.80
CEMEX	804,891	18.83
WALMEX	462,582	10.82
TELMEX	149,134	3.49

Main Brokerage Firms	Value Traded	% Share
GBM	1,326,508	31.04
SANT	995,534	23.29
INTER	679,411	15.90
ACCIV	615,965	14.41
BCOMR	316,533	7.41

### Cummulative Short Sales

	Trading Volume	Value Traded	Number of Transaction
January	29,391	706,002	1,316
February	11,578	249,115	394
March	14,694	278,581	581
April	22,254	495,989	814
May	8,139	203,607	409
June	14,818	316,853	449
July	12,766	277,926	435
August	23,475	400,219	705
September	24,734	590,603	700
October	15,408	244,340	607
November	12,353	311,952	580
December	6,458	198,591	286
<b>Total 2005</b>	<b>196,069</b>	<b>4,273,776</b>	<b>7,276</b>
Annual % Change	(17.00)	8.32	(4.14)

Thousand pesos, thousand shares  
 \* Includes operations traded in SIC



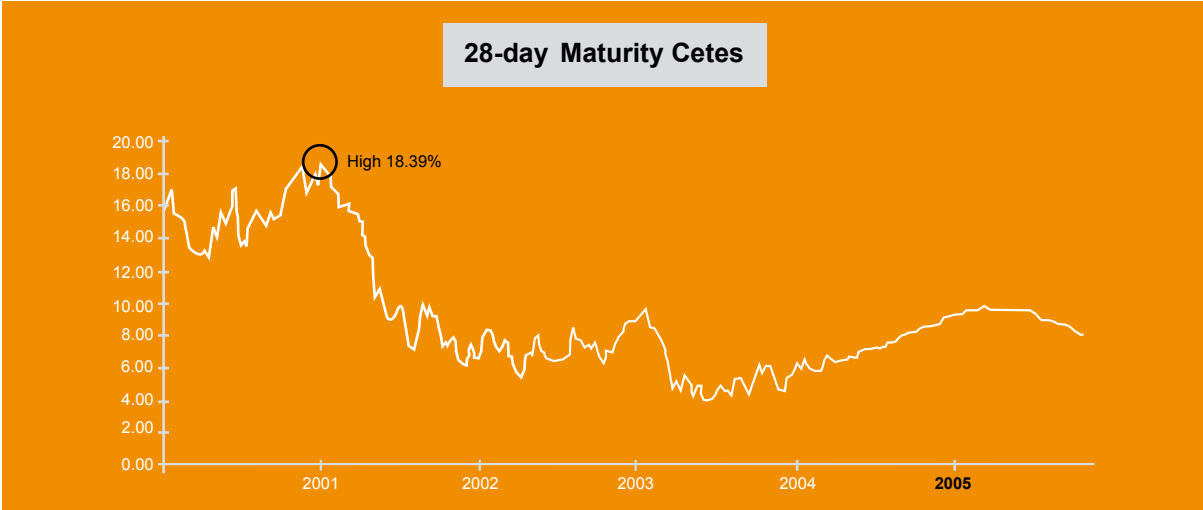
## Money Market Yields

### Government Instruments

2001 Last %	2002 Last %	2003 Last %	2004 Last %	High %	2005 Low %	Last %
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### Government Instruments

	2001 Last %	2002 Last %	2003 Last %	2004 Last %	High %	2005 Low %	Last %
28-day maturity Cetes	6.75	7.56	6.04	8.61	9.81	8.02	8.02
91-day maturity Cetes	7.60	8.08	6.17	8.81	10.08	7.99	8.01
182-day maturity Cetes	9.37	7.80	6.74	8.66	10.21	7.90	7.90
364-day maturity Cetes	10.08	8.38	6.95	8.58	10.26	7.92	7.92
28-day maturity Bondes	-	-	-	-	-	-	-
91-day maturity Cetes	-	-	-	-	-	-	-
182-day maturity Cetes	10.51	9.10	5.81	7.80	9.69	8.60	9.69
Quarterly Payment Bondes	9.27	6.94	-	-	-	-	-
Fixed Rated Bonds 3 years	10.50	10.50	9.00	-	8.00	8.00	8.00
Fixed Rated Bonds 5 years	10.50	14.50	8.00	9.00	8.00	8.00	8.00
Fixed Rated Bonds 7 years	10.50	9.00	8.00	9.00	9.00	9.00	9.00
Fixed Rated Bonds 10 years	-	-	8.00	9.50	8.00	8.00	8.00
Fixed Rated Bonds 20 years	-	-	8.00	10.00	-	-	-
Udibonos	6.50	-	3.50	-	4.50	4.50	4.50
Monetary Regulation Bonds (BREMS)	7.30	6.99	6.13	8.61	9.81	8.50	8.50
IPAB Bonds	6.03	6.98	6.13	8.37	9.66	8.50	8.50
Quarterly Payment IPAB Bonds	-	6.99	6.17	8.81	10.01	8.01	8.01
Semestral Payment IPAB Bonds	-	-	-	8.59	10.00	7.98	7.98
<b>Corporate Instruments</b>							
Commercial Paper	7.50	8.64	6.45	10.09	12.40	8.80	9.64
Promissory Notes	7.93	8.39	6.34	8.39	-	-	-
Short-terms "Certificado Bursátil"	-	10.67	9.20	8.79	14.22	8.30	8.35
"Certificado Bursátil"	8.55	12.35	9.36	13.03	14.67	4.12	13.18



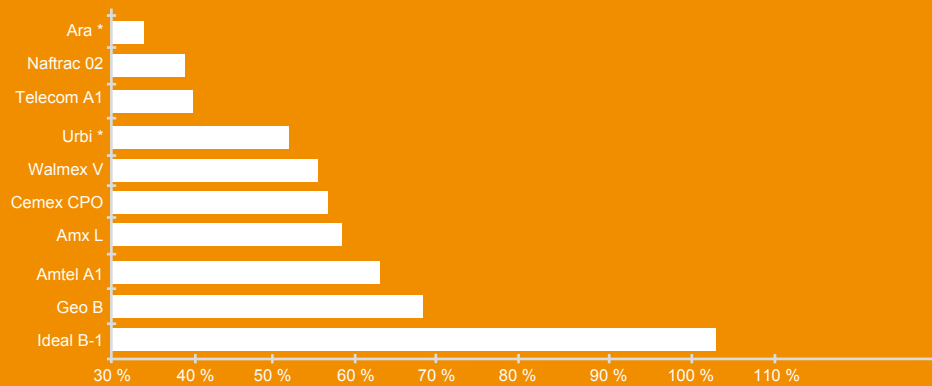


## Stock Market Series with Highest Yield \*

Issuer	Series	Nominal	Yield % Real	Dollars
1 Ideal	B-1	101.98	95.47	111.11
2 Geo	B	68.52	63.09	76.14
3 Amtel	A1	61.94	56.71	69.25
4 Amx	L	60.20	55.03	67.44
5 Cemex	CPO	55.61	50.59	62.64
6 Walmex	V	54.11	49.14	61.08
7 Urbi	*	50.92	46.06	57.75
8 Telecom	A1	38.24	33.78	44.48
9 Nafrac	02	37.62	33.18	43.84
10 Ara	*	34.36	30.02	40.43

\* Counting only high liquidity stocks

### Series with Highest Nominal Yields



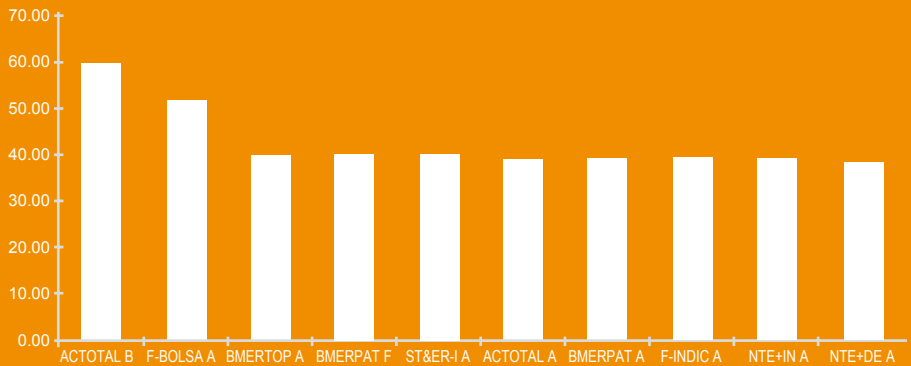
## Mutual Funds with the Highest Yields

	Nominal	Annual % Change Real	Dollars
<b>Common Stock</b>			
ACTOTAL B	60.11	54.95	67.35
F-BOLSA A	51.90	47.00	58.77
BMERTOP A	41.72	37.15	48.13
BMERPAT F	41.36	36.81	47.75
ST&ER-I A	41.25	36.70	47.64
ACTOTAL A	40.67	36.13	47.03
BMERPAT A	39.47	34.97	45.77
F-INDIC A	39.40	34.90	45.70
NTE+IN A	39.29	34.80	45.59
NTE+DE A	38.37	33.90	44.62
<b>Debt Instruments</b>			
HSBC-FF B-3	11.74	8.13	16.79
HSBC-FF B-2	11.59	8.00	16.64
HSBC-FF B-1	11.57	7.97	16.61
HSBC-FF A	11.40	7.81	16.44
NTE-FM1 C	11.11	7.52	16.13
INGREAL BDM	10.62	7.06	15.62
INTERS1 A	10.57	7.01	15.57
INGREAL A	10.44	6.88	15.43
INGREAL BDF	10.35	6.79	15.34
BOFA-5 A	10.34	6.78	15.33
<b>Debt Instruments for Individuals</b>			
HZBONOS A	15.00	11.29	20.20
ST&ER-7 A	14.56	10.86	19.73
ICA180 B-M3	13.72	10.05	18.86
ICA180 B-M2	13.65	9.98	18.78
MONEXM+ BEC-1	12.15	8.53	17.21
MONEXM+ A	12.06	8.44	17.12
MONEXM+ BEP-1	12.03	8.42	17.09
ICA180 B-M4	11.97	8.36	17.03
MONEXM+ BMC-2	11.89	8.28	16.95
ICA180 B-F4	11.86	8.25	16.92
<b>Debt Instruments for Corporations</b>			
HZPZONC A	12.22	8.61	17.30
HZPZONC B	12.12	8.51	17.19
INTERNC A	11.67	8.06	16.71
ST&ER23 A	11.61	8.01	16.66
INTERNC N4	11.33	7.74	16.36
INTERNC N3	10.94	7.36	15.95
INTERNC N2	10.92	7.35	15.94
NTE-IB1 A	10.90	7.32	15.91
NAFM-EX B	10.58	7.01	15.57
ING-GOB A	10.58	7.01	15.57





### Mutual Funds with the Highest Nominal Yields

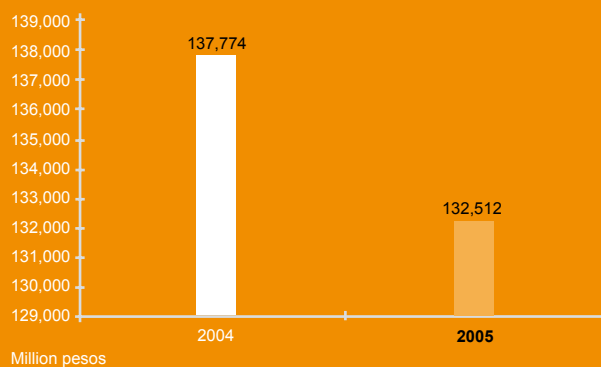


## Public Offerings

	2004		2005	
	Pesos	Dollars	Pesos	Dollars
<b>Securities Market</b>				
Stock Market	2,263	199	<b>21,644</b>	<b>1,987</b>
TRACs	-	-	-	-
Warrants	1,806	161	<b>3,085</b>	<b>283</b>
Mutual Funds	250,000	22,098	<b>135,800</b>	<b>12,718</b>
Retirement Funds	5,156,759	450,303	<b>2,408,004</b>	<b>223,628</b>
	<b>5,410,828</b>	<b>472,760</b>	<b>2,568,533</b>	<b>238,616</b>
<b>Mid &amp; Long-term Fixed Income</b>				
Debentures	-	-	-	-
Participation Certificates	-	-	-	-
Medium-term and Financial Notes	-	-	-	-
Notes with Yield Payable at Expiration	-	-	<b>669</b>	<b>60</b>
"Certificados Bursátiles"	134,774	11,940	<b>129,843</b>	<b>11,795</b>
Notes	3,000	269	<b>2,000</b>	<b>187</b>
	<b>137,774</b>	<b>12,209</b>	<b>132,512</b>	<b>12,042</b>
<b>Short-term Fixed Income</b>				
Commercial Paper	190	17	<b>50</b>	<b>5</b>
Short-Term "Certificado Bursátil"	61	5	<b>225</b>	<b>21</b>
	<b>250</b>	<b>22</b>	<b>275</b>	<b>25</b>

Million pesos, million dollars

### Medium and Long Term Debt Offerings



## Public Offerings

### Public Stock Offerings

Company	Volume	Value
INDUSTRIAS CH, S.A. DE C.V.	78,729,176	2,007,593,988.00
GRUPO AEROPORTUARIO DEL SURESTE, S.A. DE C.V.	33,260,870	1,114,239,145.00
QUALITAS COMPAÑÍA DE SEGUROS, S.A. DE C.V.	120,000,000	735,600,000.00
FOMENTO ECONÓMICO MEXICANO, S.A. DE C.V.	61,690,536	3,592,856,816.64
EMPRESAS ICA, S.A. DE C.V.	353,427,718	1,590,424,731.00
SARE HOLDING, S.A. DE C.V.	93,447,922	831,686,505.80
CEMEX, S.A. DE C.V.	80,500,000	4,338,145,000.00
MEXICHEM, S.A. DE C.V.	97,750,000	1,319,625,000.00
CARSO INFRAESTRUCTURA Y CONSTRUCCIÓN, S.A. DE C.V.	620,000,000	4,712,000,000.00
PROMOTORA AMBIENTAL, S.A. DE C.V.	40,343,400	847,211,400.00
AXTEL, S.A. DE C.V.	21,735,000	554,242,500.00
<b>Total Stocks</b>	<b>1,600,884,622</b>	<b>21,643,625,086.44</b>

Pesos

### Public Tender Offers

Company	Volume	Value
G. ACCION, S.A. DE C.V.	28,203,024	266,270,672.22
HYLSAMEX, S.A. DE C.V.	344,967,014	12,910,332,544.49
DERMET DE MEXICO, S.A. DE C.V.	262,323,711	115,422,432.84
<b>Total</b>	<b>635,493,749</b>	<b>13,292,025,649.55</b>



## Foreign Investment in the Stock Market

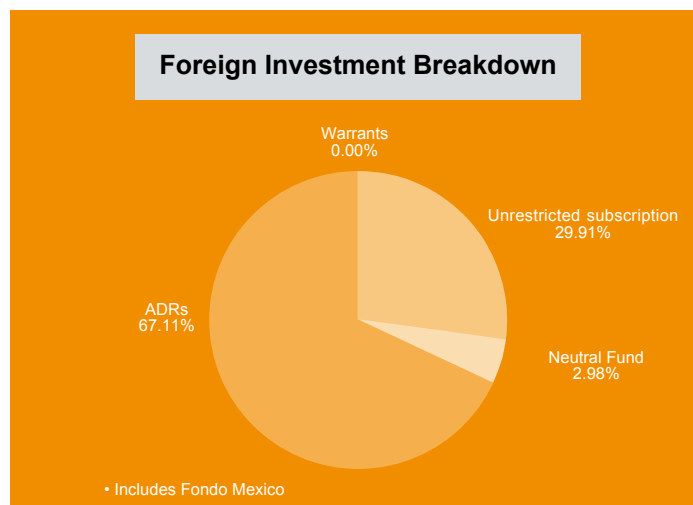
	31-Dec-2004	30-Dec-2005	(%) Change
Unrestricted subscription (1)	22,765.72	<b>31,871.20</b>	40.00
Neutral Fund (2)	2,918.10	<b>3,174.74</b>	8.79
ADR's (3)	48,282.15	<b>71,508.98</b>	48.11
Warrants	0.62	<b>0.07</b>	(89.01)
<b>Total</b>	<b>73,966.60</b>	<b>106,554.99</b>	<b>44.06</b>

Million dollars

(1) Includes Third-Party accounts at Citibank, Fondo Mexico and Mutual Funds

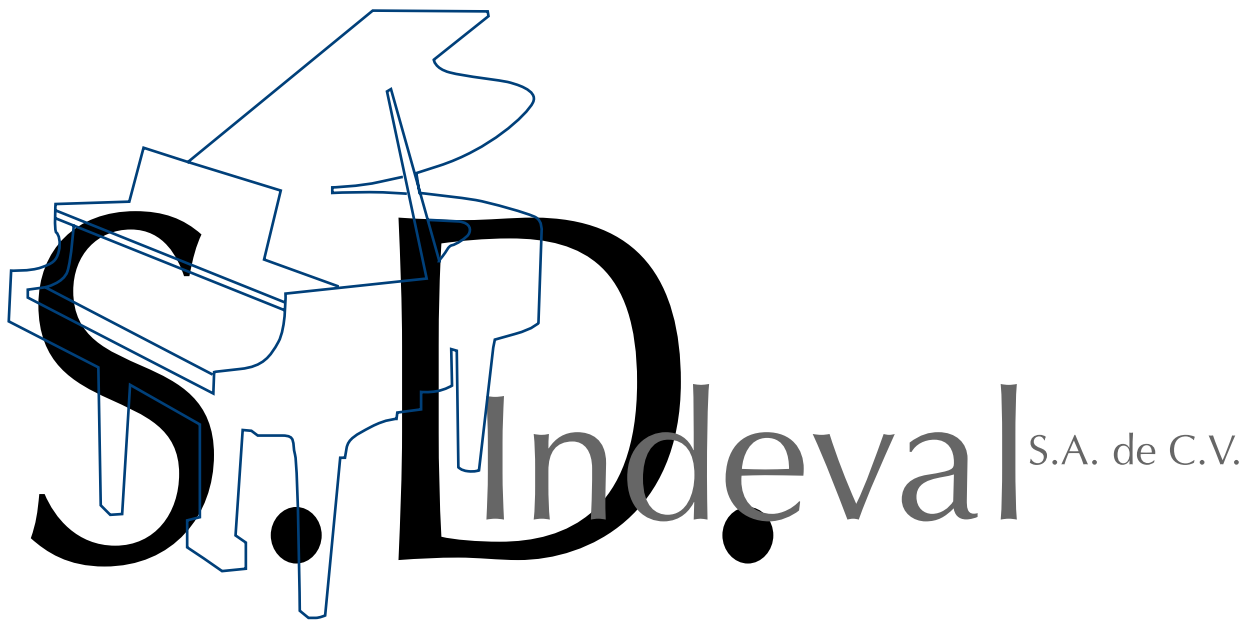
(2) Excludes CPOs backing ADRs

(3) Includes GDRs









S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores (S.D. Indeval) is the company authorized in Mexico to operate as a securities depository, as established in the Securities Market Act.

## M i s s i o n

To provide services for the benefit of the public, relating to the custody, administration, clearing and settlement of securities, in order to meet the needs of participants in the financial markets reliably, securely and efficiently, in keeping with the best international corporate practices.

To avail itself of the experience and ongoing development of its human resources, the financial solidity of the institution, and the technology appropriate for the pursuit of its purposes, in a continuous effort to improve its productivity and the quality of its services.

## V i s i o n

To strength its position as an internationally competitive central depository and institution with state-of-the-art settlement systems, to contribute to the development of the securities market, and to provide the financial industry with services based on a technology that ensures reliability, security and efficiency.



**S.D. INDEVAL**

## ***Message from the Chief Executive Officer***

In both operating aspects as well as in the correction and development of a new system, 2005 was a year of major achievements for S.D. Indeval, during which it strengthened its technological strategy and provided its depositors with new and better custody and securities clearing services.

In the technological sphere, we are able to strengthen our current systems by correcting problems observed in a number of operating processes in 2004. We also acquired a series of new technological tools that allowed us to monitor our systems in depth and find ways to correct the flaws detected.

In the development of our new system, we concluded the necessary business case study, which will give us a broader vision and allow us to prepare a precise plan of what the S.D. Indeval system should be. Of course, this exercise could not have been completed without the support of our Board Members, authorities, users and personnel, who formed work groups to contribute ideas and experiences that enriched the study and helped shape the global technological strategy of this institution.

In February, we opened a Trading Control Area in our offices, where all the trading and systems monitoring activities take place, including operators for both S.D. Indeval and the Central Securities Counterparty (CCV). This

new area brought immediate benefits to all our processes and allowed us to improve the services we offer our depositors.

On the operating side, we also found the opportunity to offer new services in 2005. In January, together with the National Retirement Savings System Council (CONSAR), retirement fund managers (AFORES) and custodian banks, we performed a cross-cut of securities for specialized retirement mutual funds (SIEFORES), through which pension funds divided up their holdings of securities in keeping with current regulations.

In addition, at the request of the Ministry of Finance and Public Credit (SHCP), in March we automated the process of segregation and reconstitution for bonds and Udibonos issued by the federal government and administered by Banco de Mexico.

In May, we started up a securities lending system called "Valpre Value Date" based on a service-oriented technological architecture. The system is a response to the demands of the industry and new regulation issued by the authorities. It is more flexible, more modular and less dependent on specific equipment and hardware. This architecture will clearly be the central starting point for new S.D. Indeval system.

Finally, I would like to make special mention of the substantial increase in cross-border trading in 2005. The global market segment of the Mexican Stock Exchange (BMV), custody of securities issued in foreign markets and administered by this institution, and the listing of shares in BBVA and Santander, both of them Spanish banks, allowed us to expand our coverage of international services and support the strategy of the companies of Grupo BMV, so Mexican investors no longer have to turn to other markets in order to diversify their portfolios.

**Gerardo Mejía Moreno**





## Board of Directors

### Institutional Board Members

#### Members

José Ignacio de Abiega Pons  
Estanislao de la Torre Álvarez  
Felipe de Yturbe Bernal  
Roberto González Barrera  
Juan Carlos González Orozco  
Ernesto Ortega Arellano  
Carlos Pérez Flores  
Guillermo Prieto Treviño  
Clemente Reyes Retana V.

#### Alternates

Alfredo Choza Salas  
Jorge Fernández García Travesí  
Juan Carlos Rosales Hernández  
Alfonso Ortega Brehm  
Eligio Esquivel Llantada  
José Ponce Hernández  
Roberto Morales Herrera  
Hugo A. Contreras Pliego  
Alfonso Henkel Hernández

### Independent Members

#### Members

José Luis Acuña Contreras  
Pedro Alonso Angulo  
Héctor Anaya Doll<sup>1</sup>  
David A. Margolín Schabes

#### Alternates

Enrique Carrillo Águila  
María Cristina Hernández Trejo  
Jaime Ulises Barbosa Valencia  
Ricardo Medina Álvarez

#### Chairman

Guillermo Prieto Treviño

#### Vice Chairman

Ernesto Ortega Arellano

#### Statutory Auditor

Martha González Caballero

#### Alternate

Francisco X. Hoyos Hernández

#### Secretary

Hugo A. Contreras Pliego

#### Secretary Pro Tem

Iñigo Ruiz Bada

<sup>1</sup> On September 22, 2005, Hector Anaya Doll resigned his post as Independent Board Member.



## Committees

### **Executive Committee**

Among the central activities of this Committee is to propose to the Board of Directors strategies and trading mechanisms for increasing the range of service supplied by the company, as well as programs for promoting and disseminating information on the market relating to the custody, administration, service clearing, settlement and transfer of securities.

#### Members:

Guillermo Prieto Treviño (Presidente)  
José Luis Acuña Contreras  
Héctor Anaya Doll<sup>2</sup>  
Roberto González Barrera  
Ernesto Ortega Arellano  
Carlos Pérez Flores  
Clemente Reyes Retana V.



<sup>2</sup> On September 22, 2005, Hector Anaya Doll resigned his post as Independent Board Member, and is thus no longer a member of the Executive Committee

## Data Highlights

	2001	2002	2003	2004	2005	% Change 05/04
Documents in Custody	33,676	29,060	28,434	27,114	<b>23,657</b>	(4.6)
Units						
	2001	2002	2003	2004	2005	% Change 05/04
Total Deposit Value	3,815,570	4,130,079	4,598,508	5,310,770	<b>6,537,446</b>	23.1
Equity Market	2,020,774	2,003,956	2,529,521	3,129,624	<b>3,991,957</b>	27.5
Fixed-Income Market	1,794,789	2,126,115	2,068,980	2,181,136	<b>2,545,478</b>	16.7
Government	1,340,414	1,690,818	1,627,903	1,718,766	<b>2,026,744</b>	17.9
Banks	454,375	435,297	441,077	462,371	<b>518,734</b>	12.2
Metals Market	7	8	7	9	<b>11</b>	15.2
Million pesos						
	2001	2002	2003	2004	2005	% Change 05/04
Value of Deposits in Foreign Accounts	419,563	394,890	508,945	716,257	<b>1,062,224</b>	48
Unrestricted Subscription	269,993	252,368	323,776	424,490	<b>518,053</b>	22
ADR's	127,604	120,825	159,087	226,809	<b>327,946</b>	45
Neutral Fund	19,998	16,834	22,547	32,421	<b>33,520</b>	3
Government Securities	1,968	4,863	3,535	32,537	<b>182,705</b>	462
Million pesos						
	2001	2002	2003	2004	2005	% Change 05/04
Value of Deposits of Instruments Issued Abroad	37,966	39,590	50,803	80,288	<b>85,963</b>	7.1
Foreign Stocks	33,031	32,334	35,508	35,700	<b>36,963</b>	3.5
Global Market U.S. Shares	0	0	1,174	3,959	<b>4,266</b>	7.8
Global Market European ADR's	0	0	0	395	<b>598</b>	51.1
Global Market Foreign Indices	0	0	0	617	<b>6,400</b>	37.3
Federal Government UMS	4,633	6,652	9,301	31,172	<b>23,675</b>	(24.1)
Eurobonds	302	604	4,695	7,996	<b>13,752</b>	72.0
U.S. Government Bonds	0	0	125	438	<b>309</b>	(29.0)

Figures as of December 31 of each year



	2001	2002	2003	2004	2005	% Change 05/04
<b>Total Transactions Processed</b>	1,917,494	1,777,693	2,172,735	4,419,441	<b>4,863,126</b>	10.0
Transactions on BMV (Equity Market)	1,295,027	1,308,632	1,165,124	1,609,804	<b>2,019,047</b>	25.3
Transactions off BMV (Fixed-income Market)	622,467	469,061	1,007,611	2,809,637	<b>2,844,079</b>	1.2
	2001	2002	2003	2004	2005	% Change 05/04
SIDV-SIAC-SPEUA Fund Transfers*	109,800	162,958	124,105	139,659	<b>154,351</b>	10.5
Securities Lending Transactions	6,975	9,409	8,494	13,033	<b>28,222</b>	116.5
ISIN Codes Assigned	3,053	2,924	2,775	7,182	<b>7,036</b>	(2.0)
*SIDV: Indeval System SPEAU-SIAC: Banco de Mexico Payment Systems Daily average in millions of pesos						
	2001	2002	2003	2004	2005	% Change 05/04
<b>Trades Settled</b>	746,828	898,309	998,221	1,347,831	<b>1,619,223</b>	20.1
Bank Market	386,492	384,440	350,424	293,376	<b>336,481</b>	14.7
Government Market	355,984	511,312	645,300	1,052,427	<b>1,280,656</b>	21.7
Equity Market	4,352	2,557	2,497	2,028	<b>2,086</b>	2.9
SIDV-SIAC-SPEUA Fund Transfers	415,142	655,735	618,694	713,223	<b>886,805</b>	24.3
<b>Total Settled</b>	1,161,970	1,554,044	1,616,914	2,061,054	<b>2,506,028</b>	21.6
Daily average. Million pesos						

Trading in Instruments Issued Abroad

	2001	2002	2003	2004	2005	% Change 05/04
Total	1,442	2,349	8,572	16,020	18,231	1.1
Foreign Shares	398	607	673	726	728	0.0
Global Market U.S. Shares	0	0	4,340	9,450	10,885	15.2
Global Market European ADRs	0	0	0	1,714	1,971	15.0
Global Market Foreign Indices	0	0	0	269	1,094	307.0
Federal Government UMS	970	1,470	3,188	3,372	2,608	(22.7)
Eurobonds	74	272	363	457	744	62.8
U.S Government Bonds	0	0	8	32	201	169.0
Number of trades						

	2001	2002	2003	2004	2005	% Change 05/04
Annual Yield of S.D. Indeval Shares %	30.2	36.6	28.3	30.5	28.3	7.2
Personnel	49.0	52.0	46.0	53.0	59.0	11.3
	2001	2002	2003	2004	2005	% Change 05/04
Depositors	547	463	495	573	574	0.2
Brokerage Firms	29	26	29	32	33	0.3
Banks	56	42	48	48	45	6.3
Insurance and Bonding Companies	45	11	10	11	11	0.0
Foreigners	33	3	3	4	4	0.0
Mutual Funds	366	366	389	468	473	1.1
Fund Managers	16	14	15	8	6	0.3
Others (IPAB and CCV)	2	1	1	2	2	0.0

## *Primary Activities in 2005*

### **Technology**

A S.D. Indeval's new technological strategy strengthened the systems that administer and execute the operating processes relating to the custody, administration, trading and settlement of securities, by correcting and improving programs and bringing in new equipment and monitoring tools. These allowed this institution to offer its depositors and the overall market precise services in terms of time and quality. We also begin laying the groundwork for construction of a new system.

Among the highlights of our technical strategy and new system-building efforts in 2005 are the following:

#### *Strengthening Systems*

In this area, the plan is in its third of five phases. Our achievements here are clear: clients now have a much more reliable and safe trading system, minimizing the events that might effect daily trading. We also succeeded in making the technological platform more efficient, reducing the use of equipment processors from 97% to below 40%. All of this has been done without interrupting the developments planned for the industry, and while continuing to deliver top-quality services.

### *New System Activities*

In the construction of the new system, four activities were begun last year. In mid-2005 a study was completed by OMX (A Swedish company that owns various central depositories and exchanges around the world) called a "Business Case Study", which allowed us to define a long-term vision on the activities a central depository should carry out, and the best practices to take into account.

Also, in the third quarter we prepared the strategy plan for the new system, which includes a General Plan (GANTT) of the project activities to be developed through June 2008, with various deliverables by year-end 2006 (S.D. Indeval portal) and mid-2007.

Here, we began defining and building the basic reference architecture: business, technological and application aspects, the first phase of which should be complete by March 2006.

The biggest milestone in this project was the modeling of all the processes necessary for S.D. Indeval to service its clients. To do this, we asked ten vendors to submit detailed service request documents. The winner was the Instituto Tecnológico Autónomo de México (ATM), which began its activities in November and will conclude around the middle of the second quarter of 2006.

Finally, work began on acquiring the hardware and software components that will be used for the new S.D. Indeval, while at the same time investing in our current production equipment to extend their useful life for another three years.

For 2006, the main activities, besides completing the project modeling, will be the following indispensable steps for making the transition from the old to the new system:

1. March - Basic Reference Architecture
2. August - Layer Structure
3. November - Indeval Portal

In addition to these efforts, Indeval was active in other areas, as described in the next section, which mitigate the risks inherent in the transition to a system, and encourage the participation of personnel at S.D. Indeval and from the industry at large.

### *S.D. Indeval H2H Link*

For four years now, in keeping with recent technological trends and the need for financial institutions to operate without manual errors, S.D. Indeval startup up a host-to-host (H2H) connection between depositors' systems and the institution.

For these purposes, a 3-stage client-server architecture was developed to be able to offer this connection. The connection scheme was put into production on February 24, 2003.

Because that new connection scheme seemed underused in 2003, in 2004 S.D. Indeval set itself the goal of bringing in as many institutions as possible, and by year-end had incorporated 15 institutions, which together account for 70% of total daily trading volume.

In the first few months of 2005, we finished optimizing services published for the H2H (money market, capital market and Treasury), giving rise to a new S.D. Indeval H2H link. The project was consistent with established policies in the strategic vision of creating a service layer, and was placed in production during the first week of July.

With this project, we were able to raise the number of institutions working through this link to 21, and released a second version on August 8. Now, 73% of the trading activity in the market is through this communication scheme.

Complementing this effort, we will work on the design of web services in 2006 that allow us to publish services more efficiently, and with a standard, universal protocol.

### *Business Continuity Plan*

In 2005, the general plan prepared in 2002 was reviewed and grouped into a new structure made up of three major areas. The new plan observes each of the probable contingency scenarios, considers all the operating aspects of a contingency, like communication and user connectivity, and regular contingency drills.

S.D. Indeval has three documents that define the general contingency plan:

- BCP: Business Continuity plan
- BIA: Business Impact Analysis
- DRP: Disaster Recovery Plan

During the period in question, the Institution took on the task of distributing its Business Continuity Plan to the financial trade, the authorities, and institutions that specifically requested it.

## **Securities Custody and Administration**

### *SIEFORES Cross-Out*

On January 13 and 14, S.D. Indeval concluded the division of retirement fund assets into the two new categories of funds (SIEFORES), called Basic 1 and Basic 2.

The securities were transferred into the two new categories through a program designed to make free-of-payment movements of the assets that backed each affiliated workers' position in their fund, according to a percentage determined by their fund managers, and the records of workers' share in each type of fund were also updated correspondingly.

Thanks to S.D. Indeval's participation in this effort, the Basic 1 and Basic 2 retirement funds were ready to meet their trading and investment expectations on Monday, January 17, in accordance with their own strategies and with the applicable provisions.

## **STRIPS**

At the start of the year, S.D. Indeval automated the process of allowing for separate trading of registered interest and principal (STRIPS) on bonds and Udibonos issued by the Federal Government and administered by Banco de Mexico. The process was conducted in full compliance with the rules and regulations established by the SHCP.

The process was completed on March 1, 2005, through development of an application under the services scheme, and was the first process to involve the use of electronic signatures.

## **96-Hour Remote Activation**

In response to the demands of the securities industry, S.D. Indeval made a series of changes in its remote securities activation service, which can now be conducted 96 hours in advance. The new function was successfully launched in the month of April.

Finally, the Custody and Administration Area began building a new corporate actions service and account structure during the last quarter of the year. These services will be ready for release in the year 2006.

## **Capital Market Trading and Settlement**

Given the trading dynamics of the financial market, which constantly requires new projects, S.D. Indeval developed a strategy for creating these products in a service layer scheme, which also sets the basis for development of the new system. Under this scheme, the Trading area implemented a system in 2005 called VALPRE Value Date, for securities lending.

### **Securities Lending**

The securities lending project is part of an industry-wide effort under way since 2003 involving industry participants, the authorities and S.D. Indeval. The effort sought to eliminate all regulatory, tax and trading barriers that were preventing this type of transaction from playing the important role it has in other countries and markets. Starting on May 16, 2005, the new securities lending system called VALPRE Value Date ("Valpre FV") went into operation. This system is the result of two years of effort by all these participants, and involved modifications basically to three areas:

1. Changes in the regulations on securities lending transactions, which were negotiated by trade representatives and S.D. Indeval with the National Banking and Securities Commission (CNBV) and Banco de Mexico.
2. Changes in the business rules on which an industry-wide consensus was reached. These were primarily in the value date for executing transactions, a new methodology for margin calculation, a delivery-versus-delivery settlement scheme, and a system to facilitate trading.
3. S.D. Indeval's development of a service-based system with Internet technology using the current financial network, which included the agreed-upon changes in regulations and business rules, and primarily, a system that could adapt to the technological change in the institution since 2004, without affecting the projects to strengthen and develop a new system.

Both the system and the operational aspects of securities lending fit within the financial industry's overall plan on market leverage which includes, besides securities lending, short sells and margin trading.

On the technological side, the system has performed in stable manner, benefiting the other processes of systems at S.D. Indeval and the Central Counterparty, by not affecting the use of resources in other applications.

In the area of operation, this Institution trained 40 financial institutions in the use of the system and is currently making some operating changes to make it still more efficient.

In addition to the Valpre Value Date module the system already has operating, it includes a function for bilateral transactions and other module already authorities or to be authorized by the CNBV.

## International Trading and Presence

### *Custody of Securities Issued Abroad*

Together with the Mexican Stock Exchange, S.D. Indeval joined efforts being made to provide Mexican investors with the broadest possible range of international alternatives and vehicles to meet the growing needs for portfolio diversification and optimization.

The institution has implemented mechanisms that allow trading and settlement of key equity and fixed-income instruments from other economies and regions, from and in the Mexican market. To keep custody of these securities, we have established secure and efficient business relationships with

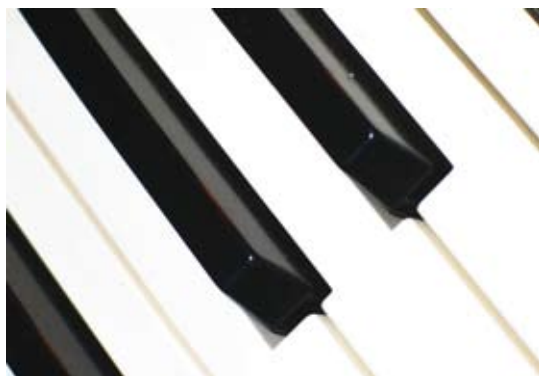
leading international institution, which guarantee the capacity to maintain custody of the instruments that depositors need.

Over the course of 2005, the total deposit value of instruments held in custody abroad rose 18.84%, closing the month of December at more than US\$8.45 billion, 1.38% of the total deposit value of S.D. Indeval.

This occurred despite a 21.15% reduction in the custody value of sovereign debt issued abroad (UMS bonds), which was due primarily to a sale of positions by both retirement funds and traditional mutual funds in the amount of US\$874 million. Most of this was channeled to domestic federal government bonds.

Individually, the value of custody held abroad showed the following changes:

Type of Instrument	Annual Change %	Deposit Value as of Dec.-05
Foreign Shares Directly Listed on the Mexican Exchange	9.79	3,460.73
Sovereign Debt issued Abroad	(21.15)	2,182.03
Private Debt Issued abroad	98.15	1,406.58
Foreign Shares Listed on BMV Global Market	16.88	451.73
Foreign ETFs Listed on the BMV Global Market	1,595.37	928.57
U.S. Treasury Bonds	(50.87)	19.09
<b>Billion dollars</b>	<b>TOTAL</b>	<b>18.84</b>
		<b>8,448.74</b>



The increase in the value of foreign Exchange Traded Funds (ETFs) held in custody was due basically to the success of the “SHY” stock, which tracks short-term U.S: Treasury paper, as well as the participation of local retirement funds on those instruments.



In the past year, Mexican brokerage firms acquired portfolios of more than US\$873mn.

The number of issues held in custody by S.D. Indeval abroad rose 66% in the past year; as of the close of December 2005, the figure was 322 different issues.

A total of 728 cash rights on securities issued abroad were paid in 2005, equivalent to US\$1.62 billion; 111% higher than the preceding year. Specifically in the stock market, a total of 361 cash rights on foreign issues were exercised, 78% of the total cash exercises no stock applied in this institution.

There were a total of 19,994 cross-border transactions in the past year, 25% more than in the preceding year.

A total of 2,362 of these transactions (-9.5% of the movements-) were performed under the delivery versus payment (DVP) mode, with more than US\$1.2 billion in cash settled in the accounts of S.D. Indeval in Europe and the U.S.

In connection with the listing of stock in the Spanish banks BBVA and Santander on the Mexican market, in June 2005 S.D. Indeval worked together with Banco Santander Central Hispano and Banco Bilbao Vizcaya Argentaria in offering custody, administration and settlement services for their respective shares.

On August 18 and September 19, this Institution guaranteed transatlantic services on these shares, to the benefit of both of the issuers and Mexican investors in general.

Also in 2005, S.D. Indeval worked together with the Mexican Stock

Exchange, Nacional Financiera and Deutsche Bank to establish the trading flows of negotiation and settlement with the London market that would start up listing of two ETFs that replicate the price of Brent oil and the IBOXX European corporate debt index.

On September 29 and October 5, those securities were listed on the Mexican market, and S.D. Indeval, through its custodian, Deutsche Bank, implemented a new scheme for the provision of custody, administration and settlement services through the Deutsche Bank agencies in Frankfurt and London.

During that year, and particularly in the last few months, S.D. Indeval participated actively in defining settlement schemes in Europe and North America, for the placement and assignment on the Mexican market of fixed-income instruments issued in Mexican pesos abroad.

We also supported issuers and foreign and local underwriters in each of the listing options for instruments within the Mexican market, detailing the processes and advantages of each of them. This institution took part, in the areas that concern it, in overseas offerings of instruments totaling more than 8 billion pesos, most of which were acquired by local retirement funds.

### *International Presence*

Starting in the second half of 2005, S.D. Indeval was designated Vice chairman of the Americas' Central Securities Depository Association (ACSDA), after having presided over the Work Committee of this Association in 2003 and 2004.

In addition, S.D. Indeval worked on the startup of a trading link with its counterpart in Brazil, Companhia Brasileira de Liquidacao e Custodia (CBLC), which will forge an operating link between the Mexican Stock Exchange and the Sao Paulo exchange (Bovespa) in Brazil. These links will serve as the pilot plan for the development of other similar links in the Latin American region on the "Order Routing" model designed by the Ibero-American Federation of Stock Exchanges two years ago.

## *Vision for 2006*

In the coming year, this Institution will continue to direct its efforts toward development a new system. At the same time it will continue to monitor its current system and fine-tune the processes that require it, and will startup the S.D. Indeval portal, through which users can access institutional systems efficiently and securely.

Another of our ongoing efforts will be bringing more participants into the H2H S.D. Indeval Link, and developing new services relating to our depositors' daily trading activities.

This year we also plan to have the final design of the new systems architecture for this Institution, and begin developing the new system itself.

Of course, all of these projects will not stand in the way of our ongoing effort to bring new products to our clients, including a new process modeling in the custody and administration area, a new digital certification scheme for electronic trading posts, the update of all the operating processes carried out with Banco de Mexico, and a new version of the SAVAR guarantee administration system for repo trading.



## Financial Information

### Summary Balance Sheet as of December 31 2004 and 2005\*

Assets	2004	2005	Nominal Change	% Change 05/04
Current	218,228	<b>255,690</b>	37,462	17.2
Fixed	125,035	<b>137,826</b>	12,791	10.2
Others	151	<b>158</b>	7	4.6
<b>Total Assets</b>	<b>343,414</b>	<b>393,674</b>	<b>50,260</b>	<b>14.6</b>
<b>Liabilities and Stockholders' Equity</b>				
Short-Term	24,995	<b>15,186</b>	(9,809)	(39.2)
<b>Total Liabilities</b>	<b>24,995</b>	<b>15,186</b>	<b>(9,809)</b>	<b>(39.2)</b>
Stockholders' Equity	318,419	<b>378,488</b>	60,069	18.9
<b>Total Liabilities and Stockholders' Equity</b>	<b>343,414</b>	<b>393,674</b>	<b>50,260</b>	<b>14.6</b>
<b>Memorandum Accounts</b>				
Third-Party Cash and Banks	730	<b>498</b>	(232)	(31.8)
Securities Received in Custody	5,480,959,318	<b>6,537,434,812</b>	1,056,475,494	19.3
Coined Metals Received in Custody	9,634	<b>10,749</b>	1,115	11.6

\*December 2005 thousand pesos



Summary Income Statement as of December 31, 2004 and 2005\*

	2004	2005	Nominal Change	% Change 05/04
Operating Income	189,646	<b>168,413</b>	(21,233)	(11.2)
Operating Expense	83,789	<b>97,420</b>	13,631	16.3
Operating Profit	105,857	70,993	(34,864)	(32.9)
Total Financing Cost	4,000	<b>12,225</b>	8,225	205.6
Other Income and Expense	388	<b>593</b>	205	52.8
Income before tax and equity in the results of unconsolidated subsidiaries and affiliates	109,469	<b>82,625</b>	(26,844)	(24.5)
Income Tax Provision	36,639	<b>24,132</b>	(12,507)	(34.1)
Tax before equity in the results of unconsolidated subsidiaries and affiliates	72,830	<b>58,493</b>	(14,337)	(19.7)
Equity in the results of unconsolidated subsidiaries and affiliates	11,290	<b>14,641</b>	3,351	29.7
Net income	84,120	<b>73,134</b>	(10,986)	(13.1)
December 2005 thousand pesos				
Share Yield	30.5%	<b>28.3%</b>		



## Shareholders

### BROKERAGE FIRMS

- ABN AMRO Securities (México), S.A. de C.V., Casa de Bolsa
- Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex
- Actinver, S.A. de C.V., Casa de Bolsa
- Casa de Bolsa Arka, S.A. de C.V., Arka Grupo Financiero
- Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte
- Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer
- Casa de Bolsa Citibank, S.A. de C.V., Grupo Financiero Citibank
- Casa de Bolsa Santander Serfin, S.A. de C.V., Grupo Financiero Santander Serfin
- Deutsche Securities, S.A. de C.V., Casa de Bolsa
- Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex
- GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM
- HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC
- ING (México), S.A. de C.V., Casa de Bolsa, ING Grupo Financiero
- Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones
- Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa
- Invex Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero
- IXE Casa de Bolsa, S.A. de C.V., IXE Grupo Financiero

- J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero
- Merrill Lynch México, S.A. de C.V., Casa de Bolsa
- Monex Casa de Bolsa, S.A. de C.V.
- Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero
- Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat
- Valores Mexicanos Casa de Bolsa, S.A. de C.V.
- Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero
- Vector Casa de Bolsa, S.A. de C.V.

### BANKS

- Banco Credit Suisse First Boston (México), S.A.
- Banco del Centro, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte
- Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero
- Banco J.P. Morgan, S.A., Institución de Banca Múltiple, J.P. Morgan Grupo Financiero
- Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte
- Banco Nacional de México, S.A., Institución de Banca Múltiple, Grupo Financiero Banamex
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin (antes Santander Mexicano, S.A.)
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer



- HSBC México, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero HSBC, (antes Banco Internacional, S.A., Institución de Banca Múltiple, Grupo Financiero Bital)

- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat

#### **INSURANCE AND BONDING FIRMS**

- AIG México Seguros Interamericana, S.A. de C.V.

- Fianzas Comercial América, S.A.

- Grupo Nacional Provincial, S.A.

- Seguros Comercial América, S.A. de C.V.

- Seguros Inbursa, S.A., Grupo Financiero Inbursa

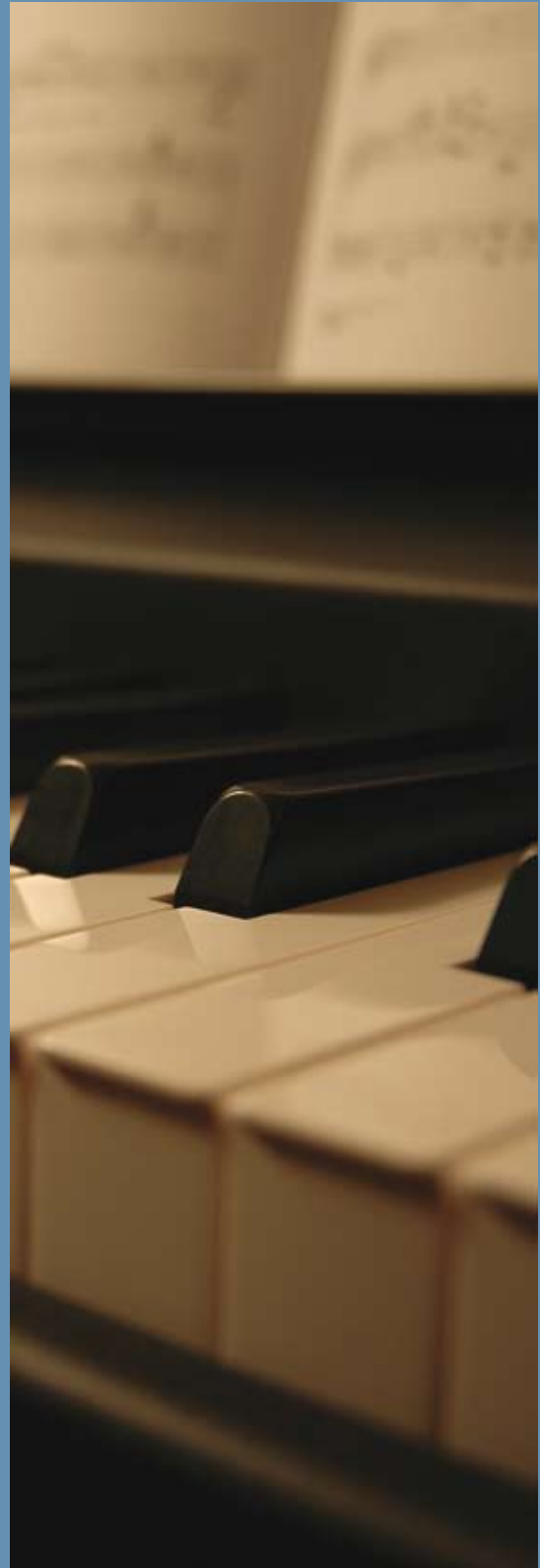
- Seguros Monterrey New York Life, S.A.

#### **OTHER INSTITUTIONS**

- Banco de México

- Bolsa Mexicana de Valores, S.A. de C.V.

- Nacional Financiera, S.N.C.





## *Corporate Officers*

Gerardo Mejía Moreno

Chief Executive Officer

Francisco Herrería Valdés

Money Market and Treasury

Jesús Mondragón Osorio

Custody and Securities Administration

Arturo Navarro Plascencia

Operations and International Division

Mario Sáenz Luján

Process Development

Jaime Villaseñor Zertuche

Risk Management & Development

Iñigo Ruiz Bada

Legal Affairs

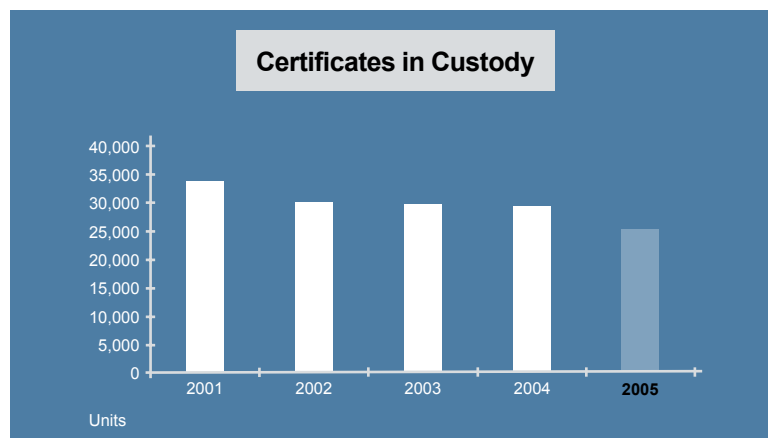




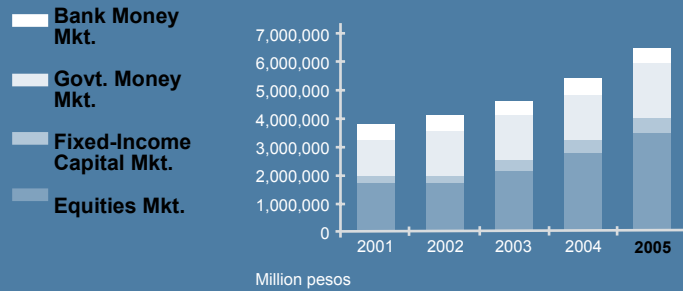
*S.D. Indeva Facts and Figures*

# Securities Custody and Administration

Deposit Value						
	2001	2002	2003	2004	2005	% Chge. 05/04
<i>Equity Market</i>	2,020,774	2,003,956	2,529,521	3,129,624	<b>3,991,957</b>	27.6
Stocks	1,833,758	1,857,140	2,249,967	2,775,591	<b>3,510,331</b>	26.5
Fixed-Income	187,016	146,816	279,554	354,033	<b>481,626</b>	36.0
<i>Money Market</i>	1,794,789	2,126,115	2,068,980	2,181,136	<b>2,545,478</b>	(2.7)
Government Securities	1,340,414	1,690,818	1,627,903	1,718,766	<b>2,026,744</b>	(3.7)
Bank Securities	454,375	435,297	441,077	462,371	<b>518,734</b>	1.3
<i>Metals Market</i>	7	8	7	9	<b>11</b>	(12.5)
<b>Total Value</b>	<b>3,815,570</b>	<b>4,130,079</b>	<b>4,598,508</b>	<b>5,310,770</b>	<b>6,537,446</b>	11.3
Figures as of December 31. Million pesos						
Securities in Custody	33,676	29,060	28,434	27,114	<b>23,657</b>	(4.6)
Units						



## Deposit Value



### Current Issues

	2001	2002	2003	2004	2005	% Change 05/04
<i>Equity Market (Stocks)</i>						
Issues	1,411	1,436	1,544	1,930	<b>2,554</b>	32
Units (Millions)	412,594	476,053	499,986	854,695	<b>950,973</b>	11
Valuation (Million Pesos)	1,833,758	2,059,363	2,608,490	2,775,591	<b>3,510,331</b>	26
<i>Equity Market (Fixed Income)</i>						
Issues	291	387	543	649	<b>734</b>	13
Units (Millions)	2,319	3,177	4,204	5,168	<b>6,119</b>	18
Valuation (Million Pesos)	187,023	146,824	234,873	354,033	<b>481,626</b>	36
<i>Money Market (Government)</i>						
Issues	223	216	246	237	<b>328</b>	38
Units (Millions)	39,286	16,069	38,310	41,398	<b>49,121</b>	19
Valuation (Million Pesos)	1,340,414	1,218,020	1,643,519	1,718,766	<b>2,026,744</b>	18
<i>Money Market (Bank Securities)</i>						
Issues	729	628	709	707	<b>715</b>	1
Units (Millions)	307,215	285,709	232,834	223,546	<b>218,030</b>	(2)
Valuation (Million Pesos)	457,375	435,297	407,665	462,371	<b>518,734</b>	12
<b>Total Issues</b>	<b>2,654</b>	<b>2,667</b>	<b>3,042</b>	<b>3,523</b>	<b>4,333</b>	23
<b>Total Units (Millions)</b>	<b>761,414</b>	<b>781,008</b>	<b>775,335</b>	<b>1,124,807</b>	<b>1,224,243</b>	9
<b>Total Valuation (Million Pesos)</b>	<b>3,818,570</b>	<b>3,859,504</b>	<b>4,894,546</b>	<b>5,310,760</b>	<b>6,537,446</b>	23

Figures as of December 31

### Deposit Value of Instruments Issued Abroad

	2001	2002	2003	2004	2005	% Change 05/04
Foreign Stocks	33,031	32,334	35,508	35,508	<b>35,072</b>	(1)
VEMEX	-	-	1,174	3,959	<b>4,266</b>	8
STOXX-50	-	-	-	395	<b>598</b>	51
Foreign Indexes	-	-	-	617	<b>6,400</b>	937
BBVA	-	-	-	-	<b>1,676</b>	-
SAN	-	-	-	-	<b>214</b>	-
WE	-	-	-	-	<b>238</b>	-
UMS	4,633	6,652	9,301	31,172	<b>23,437</b>	(25)
Eurobonds	302	604	4,695	7,996	<b>13,752</b>	72
T-Bills	-	-	125	438	<b>309</b>	(29)
<b>Total</b>	<b>37,966</b>	<b>39,590</b>	<b>50,803</b>	<b>80,085</b>	<b>85,963</b>	<b>7</b>

Figures as of December 31. Million pesos

### Deposit Value in Foreign Accounts

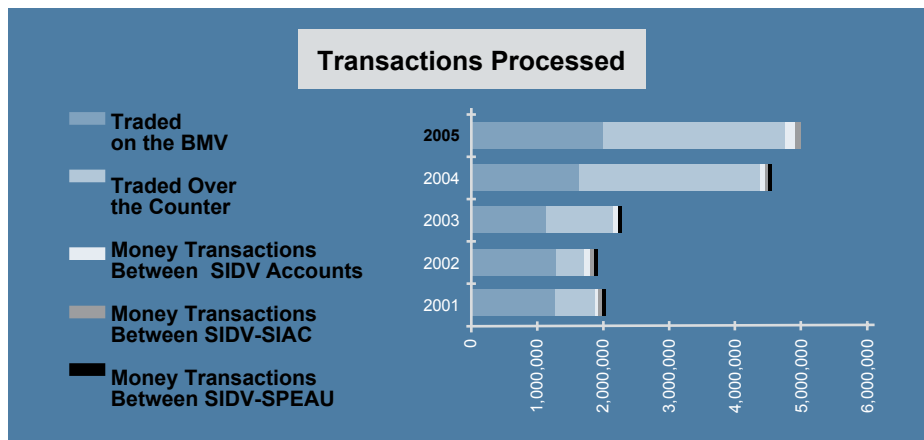
	2001	2002	2003	2004	2005	% Change 05/04
Unrestricted Subscription	269,993	252,368	323,776	424,490	<b>518,053</b>	22
ADR's	127,604	120,825	159,087	226,809	<b>327,946</b>	45
Neutral Fund	19,998	16,834	22,547	32,421	<b>33,520</b>	3
Government Securities	1,968	4,863	3,535	32,537	<b>182,705</b>	462
<b>Total</b>	<b>419,563</b>	<b>394,890</b>	<b>508,945</b>	<b>716,257</b>	<b>1,062,224</b>	<b>48</b>

Figures as of December 31. Million pesos

# Trading Activity

## Transactions Processed

	2001	2002	2003	2004	2005	% Change 05/04
Traded on the BMV	1,295,027	1,308,632	1,165,124	1,609,804	<b>2,017,647</b>	25
Traded Over the Counter	622,467	469,061	1,007,611	2,809,637	<b>2,844,079</b>	1
Money Transactions between SIDV Accounts	50,573	101,661	76,481	86,841	<b>100,095</b>	15
Money Transactions between SIDV-SIAC	37,475	35,751	31,599	39,187	<b>54,026</b>	38
Money Transactions between SIDV-SPEAU	21,752	25,546	16,025	13,631	<b>230</b>	(98)
<b>Total Transactions</b>	<b>2,027,294</b>	<b>1,940,651</b>	<b>2,296,840</b>	<b>4,559,100</b>	<b>5,016,077</b>	<b>10</b>

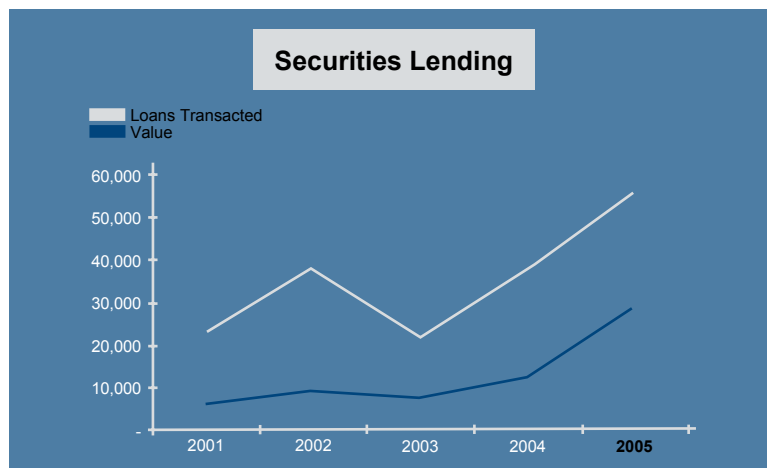






### Securities Lending

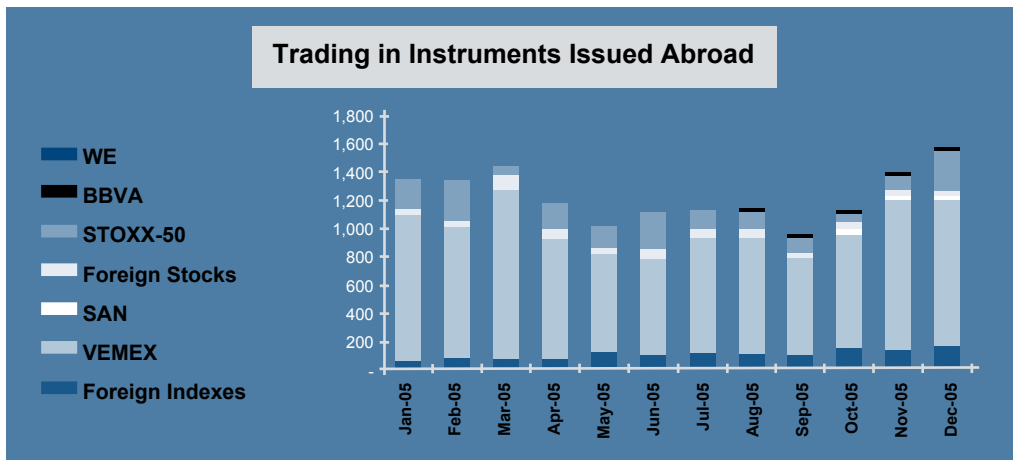
	2001		2002		2003		2004		2005		% Change 05/04	
	Units	Pesos	Units	Pesos	Units	Pesos	Units	Pesos	Units	Pesos	Units	Pesos
Total Loans	6,975	22,215	9,409	36,702	8,494	21,419	13,033	35,987	<b>28,222</b>	<b>53,247</b>	117	48
Lending Bids	6,707	21,235	9,062	35,303	8,241	19,828	11,612	26,750	<b>26,338</b>	<b>47,901</b>	127	79
Borrowing Bids	754	2,230	893	3,291	651	2,711	2,131	10,809	<b>3,538</b>	<b>5,346</b>	66	(51)





Trading in Instruments Issued Abroad

	2001	2002	2003	2004	2005	% Change 05/04
Foreign Stocks	398	607	673	726	590	(19)
VEMEX	-	-	4,340	9,450	10,885	15
STOXX-50	-	-	-	1,714	1,971	15
Foreign Indexes	-	-	-	269	1,094	307
BBVA	-	-	-	-	62	-
SAN	-	-	-	-	76	-
WE	-	-	-	-	2	-
UMS	970	1,470	3,188	3,372	2,606	(23)
Eurobonds	74	272	363	457	744	63
T-Bills	-	-	8	32	201	528
<b>Total</b>	<b>1,442</b>	<b>2,349</b>	<b>8,572</b>	<b>16,020</b>	<b>18,231</b>	<b>14</b>

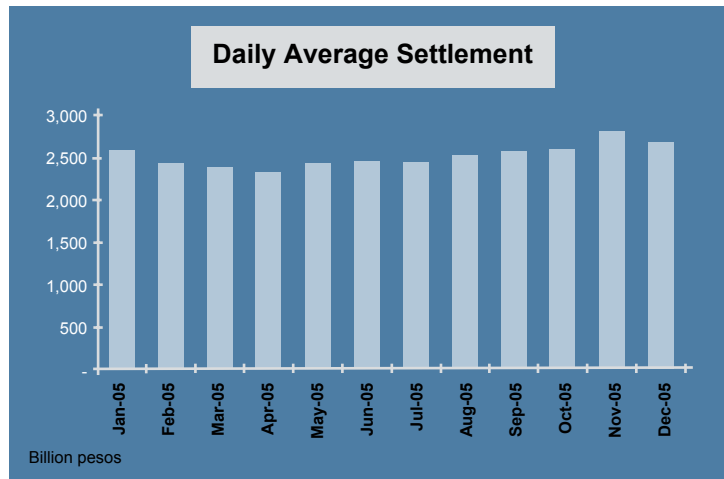


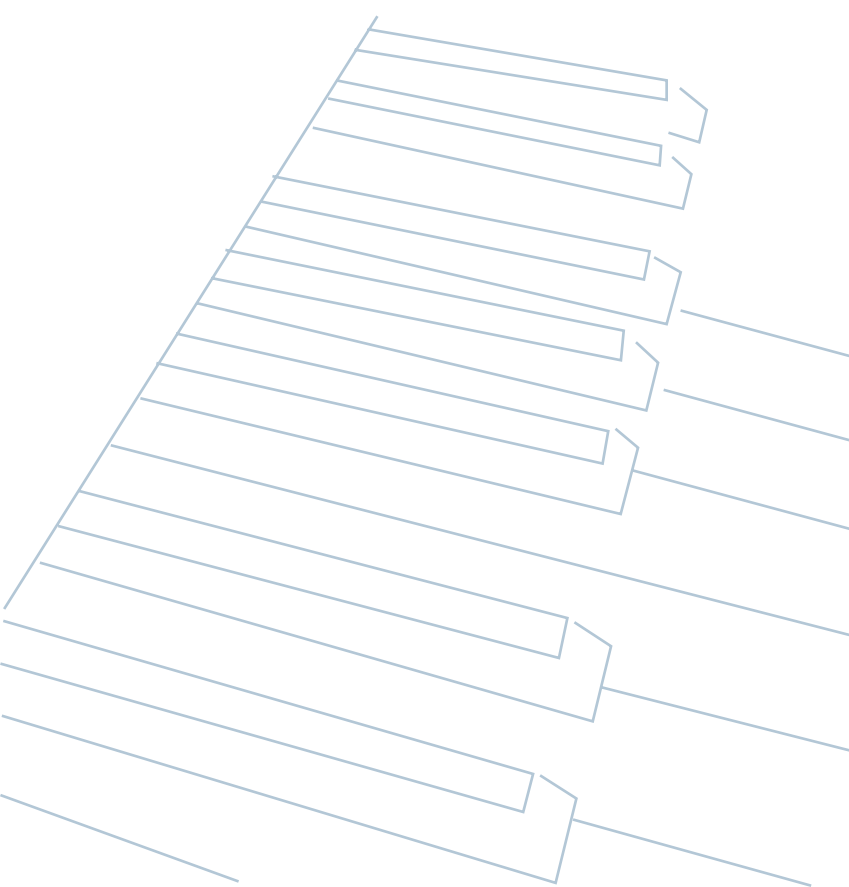
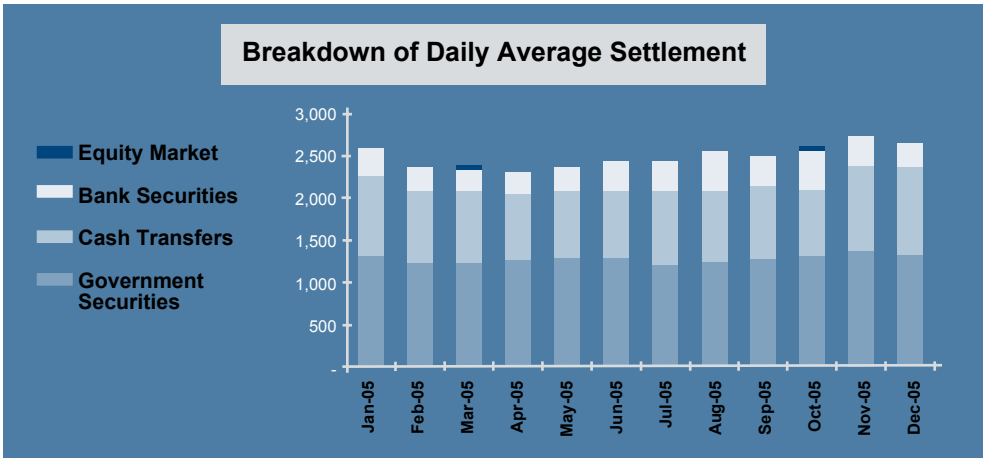
## Settlement

### Value Settled

	2001	2002	2003	2004	2005	% Change 05/04
Bank Securities	386,492	384,440	350,424	293,376	<b>336,481</b>	15
Government Securities	355,984	511,312	645,300	1,052,427	<b>1,280,656</b>	22
Equity Market	4,352	2,557	2,497	2,028	<b>2,086</b>	3
<b>Total Settled</b>	<b>746,828</b>	<b>898,309</b>	<b>998,221</b>	<b>1,347,831</b>	<b>1,619,223</b>	20
Flows between SIDV-SIAC-SPEUA	415,142	655,735	618,694	713,223	<b>886,805</b>	24
Funds Required at End of Day	11,336	14,434	19,816	17,785	<b>151,728</b>	753
Total Amount of Credit Line	211,034	204,429	209,182	153,727	-	(100)

Daily average. Million pesos







# Contraparte Central de Valores, S.A. de C.V.

CONTRAPARTE CENTRAL DE VALORES DE MÉXICO, S.A. DE C.V. is the company authorized to act as central counterparty in all trades in the Mexican securities market, in order to reduce the risk of default on the obligations assumed by brokers in the market. To this end, it acts in the capacity of reciprocal creditor and debtor of the rights and obligations stemming from previously-arranged securities transactions between those brokers, on their own behalf or on behalf of third parties, in keeping with the Securities Market Act.

## Mission

To provide counterparty, clearing and settlement services in relation to transactions performed on BOLSA MEXICANA DE VALORES, S.A. DE C.V., under the most secure and efficient financial and operational scenarios.

CONTRAPARTE CENTRAL DE VALORES pursues its business objectives within the best internationally recognized corporate practices in the area of counterparty settlement systems. It is particularly mindful of practices pertaining to trading, the handling and mitigation of any type of risk, and business administration, while keeping in mind the unique characteristics of the financial markets in Mexico.



Contraparte Central  
de Valores  
de México, S.A de C.V.

## *Message from the Chief Executive Officer*

In its second year of operations, CONTRAPARTE CENTRAL DE VALORES de México (CCV) continued its efforts to lower counterparty and systematic risk in trading on BOLSA MEXICANA DE VALORES (BMV).

This past year marked a very significant period for CCV, in a number of ways. First, there was a substantial increase in trading on the capital market. This increase did not require the slightest change in the risk management model or the system of financial safeguards that CCV defined at the outset of its operations.

However, it was important because it brought a significant increase in the number of defaults or delayed transactions with the CONTRAPARTE --although this remained very slight in comparison to the overall volume of trades on the BMV in 2005.

Because of this increase in defaults, beginning in May, CCV introduced a series of measures called Extraordinary Settlement Processes, which allow it to borrow securities and conduct forced sales and purchases to ensure the obligations are completed on time and in the appropriate manner.

Also, the institutions' Risk Committee modified the contractual penalties for past-due Clearing Members, allowing CCV to reduce the value of defaults by about 30%. Of course, we will make an effort to further reduce this amount in 2006.

The second big event of the year was the addition of a new member in this institution. As of November, Casa de Bolsa Credit Suisse First Boston Mexico, S.A. de C.V., began trading on the Exchange, and became our 23rd Clearing Member.

This represents a vote of confidence in the Mexican securities market, and of course, in our institution, which motivates us to continue working to offer our services--central counterparty, risk management and guarantees, clearing and settlement of transactions-- in the most efficient way possible, within the current trading model.

**Gerardo Mejía Moreno**





## Board of Directors

### Institutional Board Members

#### Members

Jaime Díaz Tinoco  
Roberto González Barrera  
Ernesto Ortega Arellano  
Guillermo Prieto Treviño  
Clemente Reyes Retana V.  
Gonzalo Rojas Ramos  
Moisés Tiktin Nickin  
Pedro Zorrilla Velasco

#### Alternates

Jiyouji Ueda Ordoñez  
Alfonso Ortega Brehm  
José Ponce Hernández  
Gerardo J. Gamboa Ortiz  
Alfonso Henkel Hernández  
Jorge Alegría Formoso  
Juan Luis Cevallos Almada  
Alejandro Reynoso del Valle

### Independent Board Members

#### Members

José Luis Acuña Contreras  
Guillermo Díaz de Rivera Álvarez  
Hernán Sabau García

#### Alternates

Jorge Arboleda Ancira  
Jaime Gutiérrez de la Peza  
Luis Perezcano Díaz

#### Chairman

Guillermo Prieto Treviño

#### Vice Chairman

Ernesto Ortega Arellano

#### Statutory Auditor

Martha González Caballero

#### Alternate Statutory Auditor

Jorge Tapia del Barrio

#### Secretary

Hugo A. Contreras Pliego

#### Secretary Pro Tem

Iñigo Ruiz Bada



## Committees

### **Audit Committee**

This committee oversees compliance with the rules that constitute the company's system of financial safeguards.

#### **Members:**

Fernando Morales Gutiérrez  
Carlos Neda Landazuri  
Bernardo Ernesto Reyes Retana

#### **Alternates:**

José Rocha Vacío  
Jorge Luis González Martínez  
Julio Arturo Sánchez Díaz

### **Disciplinary Committee**

Its main functions include applying disciplinary measures in cases of breach of the rules issued by the Company.

#### **Members:**

Alejandro Athié Morales  
Leonel Pereznieta Castro  
Julián Treviño Meixueiro

### **Risk Committee**

The basic activities of this committee are to create and apply a system of financial safeguards for the company, meaning a set of measures that allow the company to comply with the obligations it incurs in acting as reciprocal creditor and debtor, and to propose the issue of operating and prudential rules as well as the adoption of self-regulatory standards applicable to the Company and its reciprocal debtors and creditors.

### **Institutional Members**

#### **Members:**

Alfonso de Lara Haro  
Jaime Díaz Tinoco  
Jaime Enríquez Martínez de V.  
Sergio García Quintana  
Octavio Mieres Hermosillo  
Sergio Procel Maraver

#### **Alternates:**

Ariel Padilla Jara  
Jiyouji Ueda Ordoñez  
Grocio Soldevilla Canales  
Bernardo Rubio Águila  
Alfonso Camacho Bustillo  
Javier Delgadillo Saldaña

### **Independent Members**

#### **Members:**

Pedro Argüelles Rodríguez  
Jesús Alán Elizondo Flores

#### **Alternates:**

José Luis Álvarez Sánchez  
Jorge Galindo Flores



## Facts and Figures

### Transactions through BMV

	2004	2005	Change % 05/04
Trades	1,466,645	<b>2,023,124</b>	38
Certificates	26,370,022,555	<b>29,263,167,573</b>	11
Value (Million pesos)	522,086	<b>646,758</b>	24

### Clearing in the CCV

Certificates Cleared	15,200,195,137	<b>16,722,132,418</b>	10
Amount Cleared (Million pesos)	299,229	<b>372,389</b>	24

### Net Settlement through CCV

Settlement Netted	387,405	<b>489,334</b>	26
Certificates Settled	11,169,827,418	<b>12,541,035,155</b>	12
Value (Million pesos)	222,857	<b>274,369</b>	23

### VaR and Guarantee Funds

	2004	2005	Change % 05/04
Risk Value (Average)	70,035,266	<b>65,724,621</b>	(6)
Margin Fund (Average)	249,529,749	<b>316,479,232</b>	27
Clearing Fund (Average)	13,600,450	<b>14,258,194</b>	5

### Past-due Trades

	2004	2005	Change % 05/04
Total Trades	1,466,645	<b>2,023,124</b>	38
Past-due Trades	3,828	<b>10,585</b>	177
% Past-due Trades	0.26	<b>0.52</b>	100
Clearing Members in Trading	22	<b>22</b>	-
Past-due Clearing Members	12	<b>12</b>	-
% Past-due Clearing Members	55	<b>55</b>	-
Value Traded	522,086	<b>646,758</b>	24
Value of Past-due Trades (Million pesos)	1,187	<b>4,067</b>	243
% Past-due Trades	0.23	<b>0.63</b>	177
Days Traded	237	<b>259</b>	9
Past-due Days	191	<b>235</b>	23
% Past-due Trades	81	<b>91</b>	13
Settled in T+3	3,597	<b>9,355</b>	160
Settled in T+4	222	<b>1,208</b>	444
Cash Settlement	9	<b>22</b>	144
Total Past-due Trades	3,828	<b>10,585</b>	177

### Invested Value

	2004	2005	Change % 05/04
Daily Average Value	235,728,206	<b>305,594,177</b>	30
Daily Average Rate %	6.79	<b>9.25</b>	36

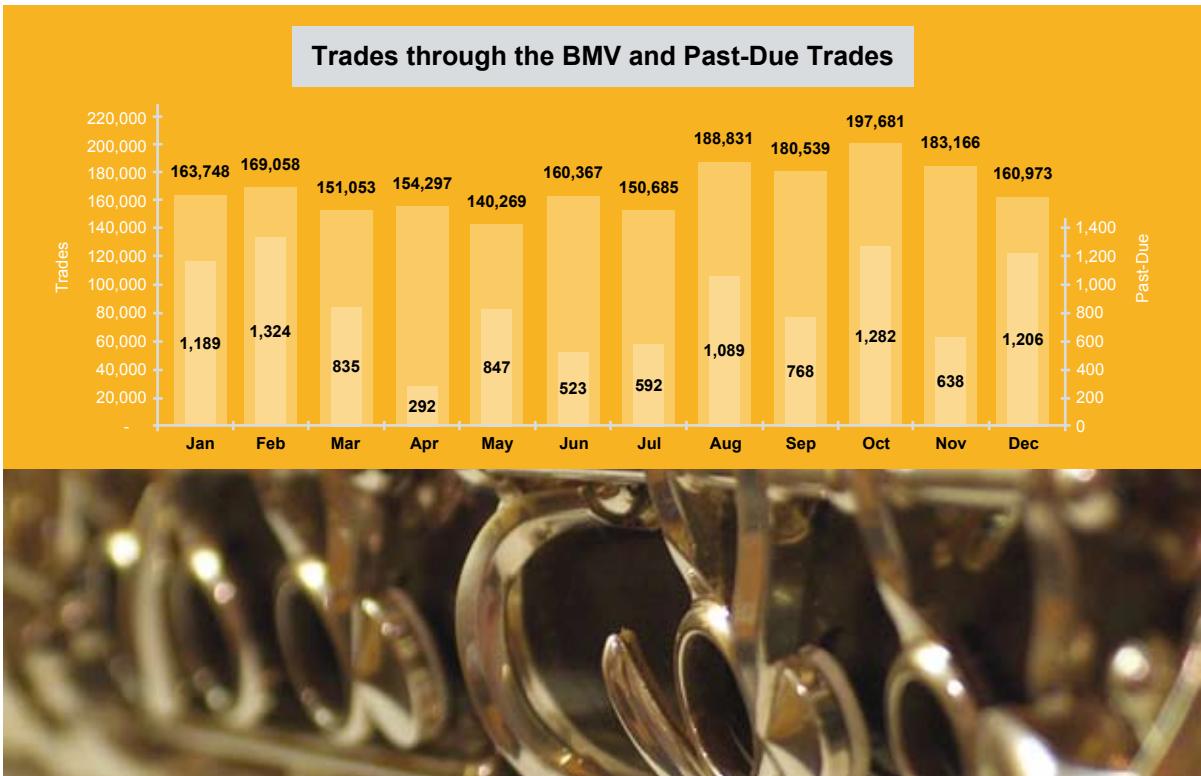
## Primary Activities in 2005

### Trading Clearing and Settlement

There are four processes that CCV applies to each trade arranged through and received by the BMV: assignment, registry, settlement and clearing. These all go into the daily calculation of CCV's total obligations.

The clearing process, which uses a multilateral settlement algorithm, establishes the amount to be settled, net or by trade, through a delivery-versus-payment (DVP) scheme.

The table below shows the total number of trades negotiated through the Exchange in 2005:

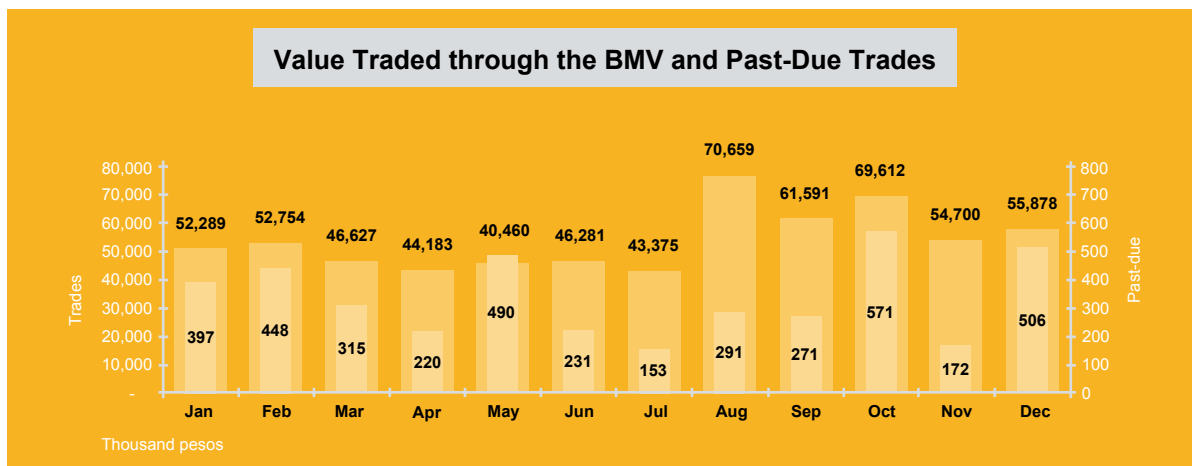


CCV received a total of 2,023,124 trades to settle in 2005, 38% more than in 2004.

In peso terms, the value traded was more than 646 billion pesos, 11% higher than in 2004. The monthly amounts are shown in the following table:

Although they were modest in comparison to the total, past-due transactions rose sharply from 2004 to 2005, because both the number and value of trades on the market nearly doubled in that period.

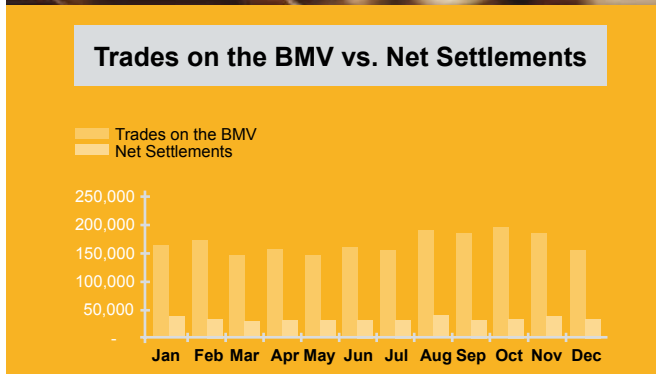
In response, CCV introduced new mechanisms and trading rules in order to mitigate the default rate. These extraordinary settlement processes are described below.

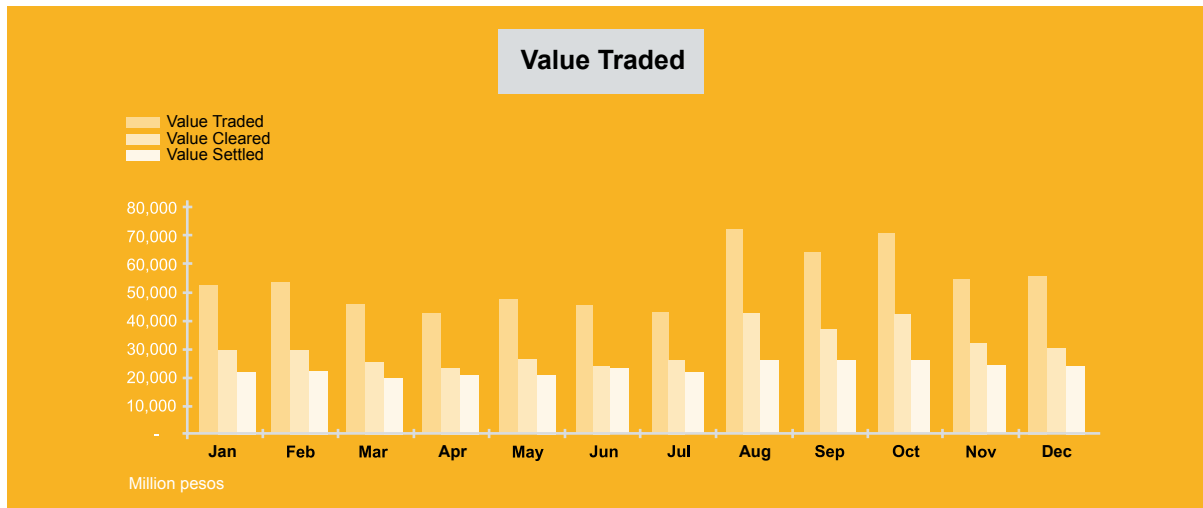


CCV Cleared 58% of the amount traded in that period, meaning that with 42 centavos of each peso traded on the Exchange, CCV settled all of its obligations.

Past-due transactions, i.e., those that surpassed their normal settlement term of T+2, accounted for 0.52% of the total number of trades, and 0.63% of the total value traded.

Of these past-due transactions, more than 88% were settled in T+3, 11% in T+4, and only 1% were settled through a cash agreement.





## Risk Management

The Financial Safeguard System (SSF) is a set of measures intended to ensure compliance with the obligations stemming from transactions in which CCV acts as reciprocal creditor and debtor.

The central purpose of the Safeguard System is:

- To prevent delays in the settlement of transactions performed by market participants;
- To ensure the availability of resources to cover past-due obligations under Clearing Members' counterparty settlement scheme.
- To promptly detect shortfalls and financial irregularities, as well as operating weaknesses among Clearing Members.

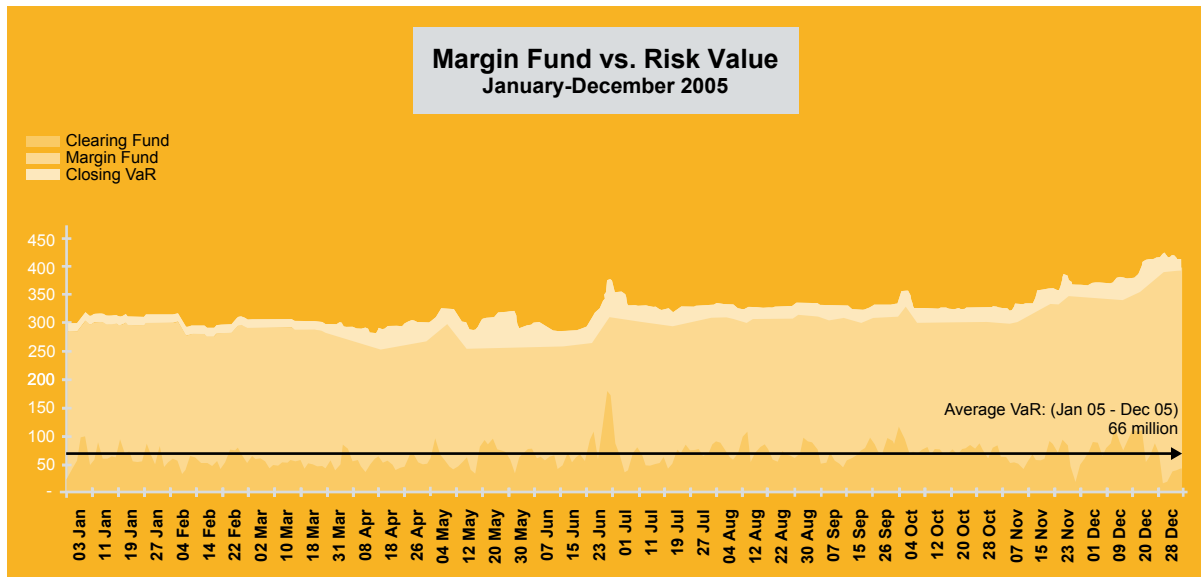
The financial resources that make up the Financial Safeguard System are the following:

1. Margin Fund
2. Reserve Fund
3. Clearing Fund
4. Excess Equity of the Central Counterparty
5. Minimum Equity of the CCV.





The graph below shows the trend in participants' risk throughout the year, compared to the level of the Margin Fund. At the close of December, the records showed an excess of 371%.



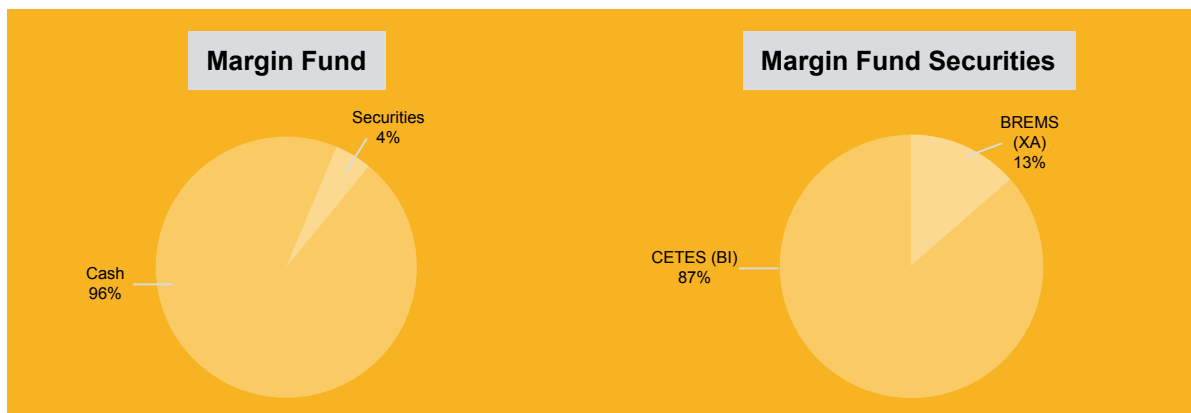
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
VaR	65	57	52	54	60	79	62	75	73	75	63	73	66
Exceeding Margins	230	229	236	223	223	213	252	238	273	237	271	305	244
%	354	401	453	411	372	269	407	316	372	316	432	417	371

The Financial Safeguard System (SSF) is a set of measures intended to ensure compliance with the obligations stemming from transactions in which CCV acts as reciprocal creditor and debtor.



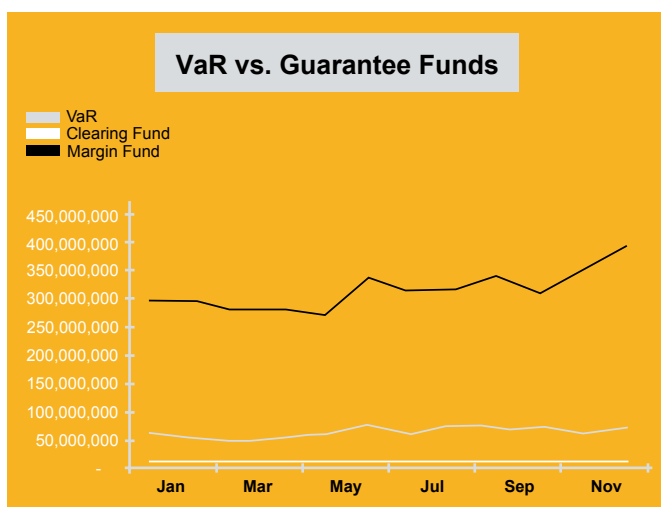
More than 95% of the guarantee funds were maintained in cash, and the rest in Federal Treasury Certificates (Cetes) and Monetary Regulation Bonds (BREMS).

2. Lowering trading risk in S.D. Indeval and in CCV.



Finally, the average daily amount of cash guarantees administered by CCV was 305 million pesos, 30% more than in 2004.

3. Addressing methodological aspects of risk management for the securities lending mechanism designed by S.D. Indeval, called VALPRE-Fecha Valor (Date-Value).



4. Daily monitoring of risk levels.

In 2005, CCV's activities focused on four basic areas:

1. Improving performance in Extraordinary Settlement Procedures, which are procedures to extinguish obligations not settled on time or in the correct fashion (past-due obligations).





In response to recent recommendations by the Basilea Committee group on Risk Management, activities were begun on the identification, mitigation and control of Trading Risks.

In the first area, Extraordinary Settlement Procedures, the percentage of past-due obligations in Mexico is actually lower than in similar markets, but the financial industry was insistent on the need to reduce them further, and expedite their settlement. The following measures were taken in response to these demands:

1. CCV Securities Lending. Beginning in May, legal requirements and trading procedures were set up to allow CCV to participate in securities lending activity through various brokerage firms.

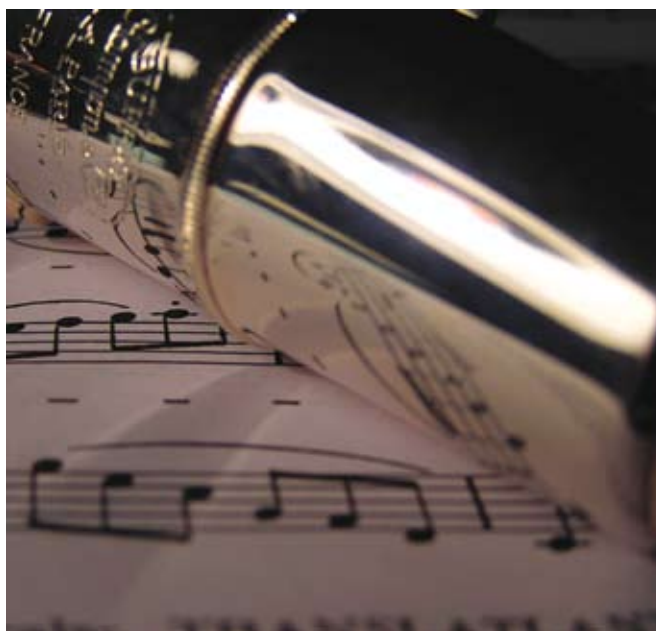
Now, when an obligation becomes past-due, CCV can borrow or lend securities in order to settle the transaction with the affected Member, while continuing to follow up on the past-due Member's obligation to deliver the securities. This mechanism was used to resolve around 30% of the past-due transactions in 2005.

2. Discouraging past-due habits. The industry, CCV, and its Risk Committee, have all been working together to redefine the formula for contractual damages that must be paid by Members who are late in their obligations. The new formula incorporates not only the amount past due, but the frequency of this conduct.

Now Members are grouped into three categories according to how frequently they allow their obligations to become past due in each month. Those with the highest frequency pay the greatest penalties, and when their conduct improves, the penalty is reduced.

This forces Members to factor in on-time performance into their trading strategy and the costs involved in late settlement.

3. More alternatives for settling past-due obligations. Procedures were designed for the CCV to obtain the securities involved in a past-due transaction, by directly purchasing them on the Exchange. More flexible mechanisms were also created for the transfer of securities between the past-due Member, CCV and the affected Member, minimizing the need for CCV to settle securities obligations by means of Extraordinary Cash Settlements.



In this area, the Risk Committee established the rules by which a past-due Member can enter into a Cash Agreement in order to avoid definitively defaulting on the delivery of securities and/or cash with CCV, which ultimately mitigates risks and reduces trading and back-office costs.

In response to recent recommendations by the Basilea Committee group on Risk Management, activities were begun on the identification, mitigation and control of Trading Risks.

Business area heads from both S.D. Indeval and CCV have been providing daily feedback through a database of trading events, which are analyzed by the Trading Control Committee, the Technological Management Group and the Risk Committee. These groups evaluate the frequency and severity of the events, in order to assign each a priority for resolving it, while at the same time creating a knowledge base that can help the market avoid events like these that entail a potential loss for any of these institutions.

To enhance risk management services for S.D. Indeval, specifically its securities lending business (VALPRE-Fecha Valor), the National Banking and Securities Commission (CNBV) authorized a methodology for calculating the discounts (haircuts) applicable to securities involved in the loans as well as margin securities, for trading on behalf of third parties. For proprietary trading, the brokerage firm, bank and retirement fund manager trade associations (AMIB, AMIB, and AMAFORE, respectively) were asked to come up with a similar methodology.

Finally, using systems to individually monitor the risk levels of market participants is an indispensable activity for CCV. Its Risk Management area calculates risks, requests and administers margins, applies extraordinary settlement procedures and executes the Financial Safeguard System.

These gives CCV the resources its needs to be a structurally solid institution, and deal with contingency situations when they arise. Globally, the Margin Fund exceeds the level of calculated risk by more than 400%.



Finally, using systems to individually monitor the risk levels of market participants is an indispensable activity for CCV. Its Risk Management area calculates risks, requests and administers margins, applies extraordinary settlement procedures and executes the Financial Safeguard System.

## *Vision for 2006*

This coming year will bring new challenges for this institution. Together with S.D. Indeval, CCV will pursue a program of trading risk management, broadening its scope for the future. We will also continue to design and build a new risk system and serve level agreements with IT (Information Technology) vendors.

Another important endeavor for CCV in 2006 will be the ongoing adaptation of technological strategies introduced by S.D. Indeval, which will result in the creation of a new system for both institutions.

The CCV will make an additional effort to reduce the amount of past-due obligations, by convincing more institutions to become lenders to the CCV.

As always, the institution is committed to increasing the quality of its daily work on behalf of its members, the market, and the Mexican financial system as a whole.



## Financial Information

### Summary Balance Sheet as of December 31 2004 and 2005\*

Assets	2004	2005	Change	% Change 05/04
Current	379,568	<b>502,943</b>	123,375	32.5
Others	60	<b>71</b>	11	18.3
<b>Total Assets</b>	<b>379,628</b>	<b>503,014</b>	<b>123,386</b>	<b>32.5</b>
<b>Liabilities and Stockholders' Equity</b>				
Short-term	312,638	<b>414,584</b>	101,946	32.6
<b>Total Liabilities</b>	<b>312,638</b>	<b>414,584</b>	<b>101,946</b>	<b>32.6</b>
Stockholders' Equity	66,990	<b>88,430</b>	21,440	32.0
<b>Total Liabilities and Stockholders' Equity</b>	<b>379,628</b>	<b>503,014</b>	<b>123,386</b>	<b>32.5</b>
<b>Memorandum Accounts</b>				
<i>Securities Transactions</i>				
Transactions entered	1,145,523	<b>2,263,574</b>	1,118,051	97.6
Pending Obligations	1,145,523	<b>2,263,574</b>	1,118,051	97.6
Past-due Obligations	3,633	<b>2,743</b>	(890)	(24.5)

\* Constant pesos as december of 2005

### Summary Income Statement as of December 31, 2004 and 2005\*

	2004	2005	Change	Change % 05/04
Service Revenues	35,297	<b>44,422</b>	9,125	25.9
Administrative Expenses	16,872	<b>21,542</b>	4,670	27.7
<b>Operating Income</b>	<b>18,425</b>	<b>22,880</b>	<b>4,455</b>	<b>24.2</b>
Net Interest Margin	1,221	<b>5,006</b>	3,785	310.0
<b>Income before Tax</b>	<b>19,646</b>	<b>27,886</b>	<b>8,240</b>	<b>41.9</b>
Tax	6,300	<b>8,315</b>	2,015	32.0
<b>Net Income</b>	<b>13,346</b>	<b>19,571</b>	<b>6,225</b>	<b>46.6</b>
* Constant pesos as december of 2005				
<b>Stock Yield</b>	<b>34.0%</b>	<b>30.7%</b>		



## Shareholders

### BROKERAGE FIRMS

- Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex\*
- Actinver, S.A. de C.V., Casa de Bolsa (Formerly Bursamex)
- Casa de Bolsa Arka, S.A. de C.V., Arka Grupo Financiero\*
- Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte\*
- Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer\*
- Casa de Bolsa Credit Suisse First Boston (México), S.A. de C.V.\*
- Casa de Bolsa Santander Serfin, S.A. de C.V., Grupo Financiero Santander Serfin\*
- Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex\*
- GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM\*
- HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC\*
- ING (México), S.A. de C.V., Casa de Bolsa, ING Grupo Financiero\*
- Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones\*
- Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa\*

- Inxev Casa de Bolsa, S.A. de C.V., Inxev Grupo Financiero\*
- IXE Casa de Bolsa, S.A. de C.V., IXE Grupo Financiero\*
- Merrill Lynch México, S.A. de C.V., Casa de Bolsa\*
- Monex Casa de Bolsa, S.A. de C.V.\*
- Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero\*
- Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat\*
- Valores Mexicanos Casa de Bolsa, S.A. de C.V.\*
- Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero\*
- Vector Casa de Bolsa, S.A. de C.V.\*

### BANKS

- Banco Nacional de México, S.A., Institución de Banca Múltiple, Integrante del Grupo Financiero Banamex\*

### OTHER INSTITUTIONS

- Bolsa Mexicana de Valores, S.A. de C.V.
- S.D. Indeval, S.A. de C.V., Institución para Depósito de Valores

\* These shareholders also act as Clearing Members in relation to CCV.





## *Corporate Officers*

Gerardo Mejía Moreno

Arturo Navarro Plascencia

Jaime Villaseñor Zertuche

Iñigo Ruiz Bada

Chief Executive Officer

Operations and International Division

Risk Management

Legal Affairs







MexDer, Mercado Mexicano de Derivados, S.A. de C.V. (MexDer) is the Mexican derivatives exchange. It began operations on December 15, 1998, and its basic purpose is to provide the mechanisms and establish the procedures necessary for the orderly trading of futures and option contracts, in strict compliance with the regulatory framework. MexDer is a self-regulated agency that functions under the supervision of the Ministry of Finance and Public Credit (SCHP), the National Banking and Securities Commission (CNBV) and Banco de Mexico.

## M i s s i o n

To encourage the growth of the Mexican derivatives market in keeping with the needs of companies, investors and the financial system in general, developing tools to facilitate hedging, risk management and efficient management of investment portfolios, in an overall context of transparency and equal opportunity for all participants.

## v i s i o n

To position MexDer as the best alternative in Mexico for trading financial derivatives. To encourage professionalism and quality in our work, which is the basis of MexDer's good reputation and image. To communicate to the public the solidity and security this market offers those who participate in it, and its usefulness to society as a whole, as a dynamic component of Mexico's growth and competitiveness.



## *Message from the Chief Executive Officer*

Another important year has drawn to a close for MexDer. Unlike the three years preceding years of brisk expansion, in 2005, dramatic changes in the surrounding environment that materialized in the second half of the year heavily affected the local market's performance. Although the first quarter went much as expected, there was a pronounced change in the activity of our largest Members starting April: although trading levels remained high, open interest on the market dropped sharply. In other words, although trading volume was intense, most of it was in the closing of positions. In this report we will detail the reasons for this situation, and more importantly, the strategy we have chosen to resolve that problem, and its results so far.

Looking back on the results of 2005, we note that trading volume was 47% lower than in the previous year. MexDer management took immediate steps to deal with this decline, mainly reducing and controlling our operating expenses, and applying a plan of action to address the reasons for that decline.

Although we cannot deny that the situation was frankly unsatisfactory, we must also take into account the fact that some of the most pressing negative factors were external, and resulted from changes in laws and regulations pending by the authorities. This, in addition to a flat yield curve--which reduce the incentive to trade over the long term--the factors that most affected us had to do with increased activity in foreign

markets, which offered greater liquidity, more participants and greater trading facilities, in instruments similar to those traded on MexDer.

In light of this situation, we took the necessary steps and corrective actions, and finally, toward the end of the year, some very important changes were published in the Official Gazette of the Federation, like the miscellaneous rules to modify the income tax law, making foreign residents exempt from tax on income they earn from Derivatives linked to the Interbank Equilibrium Interest Rate (TIE) and derivatives on fixed-income securities issued by the federal government, as well as new rules on bank capitalization requirements which allowed open positions on MexDer to be cleared against positions in over-the-counter market, considerably reducing the capitalization cost of certain derivatives transactions. We also learned that in early 2006 a bulletin will be published that regulates trading by insurance companies in derivative instruments. These are just some of the results obtained, and which resulted in a favorable solution to the biggest problems that arose last year.

We think it is important to stress that these changes in the laws and rules would not have been possible without the firm support and interest of the SHCP, Banco de Mexico and the CNBV.

In addition to the results of our interaction with the authorities, some important decisions were made by MexDer's Board of Directors which allowed this Exchange to compete efficiently outside Mexican borders. One of these was the approval of the funding and internal regulatory changes necessary to incorporate the API/FIX project, which will increase the number of participants by incorporating Members who can trade overseas, through the use of a standard interconnection protocol known as FIX (Financial Information Exchange). This project is proceeding as planned, and MexFix is expected to go into production in February of next year.

The achievements of the past year in the regulatory and technological spheres are a new foundation on which to develop the Mexican market. We therefore intend to reinforce



our vision and strategic goals with a business plan that maps out the course to follow for the next three years.

Looking at all these elements in a comprehensive manner, we find that major progress was made in addressing the problems detected and mentioned at the start of this report. We have also been able to move ahead on medium-term strategic projects that will give this Exchange an up-to-date, competitive regulatory framework, a more attractive fiscal regime, and modern trading and interconnection systems. These are clearly important steps toward the inclusion of more participants in the market, which will bring a more healthy development, with more clients and greater liquidity, objectives that were included in our 2005 business plan.

It is nevertheless clear that we continue to depend on one type of contract, and although the results improved in the last quarter of the year, we still suffer from a heavy concentration among few participants. Addressing these matters, among others, will be a basic part of our goals for 2006.

The world's derivative industry is today facing many challenges. The consolidation of markets, technological advances, and the emergence of new products and participants all require our direct attention. These same challenges also constitute a tremendous growth opportunity. When we look at ourselves in light of the modernization efforts of other derivatives exchanges, we are encouraged to see that we are on the right track, and the results of our efforts and development in 2005 point to a solid future ahead, and underscore our vision as an integral part of Grupo BMV: to become the driving force in the development of the Mexican derivative market.

**Jorge P. Alegría Formoso**







## Board of Directors

### Institutional Board Members

#### Board Members

Fernando Concha Ureta  
Felipe de Yturbe Bernal  
Rafael Mac Gregor Anciola  
José Massa Gutiérrez del Alamo  
Guillermo Prieto Treviño  
Marcos Ramírez Miguel  
Gerardo Vargas Ateca

#### Alternates

Gerardo Minjares Calderón  
Federico Flores-Parkman Noriega  
Alfredo González Rivera  
Fernando Centelles Martín  
Héctor Lagos Dondé  
Alfonso García Macías  
Alejandro del Valle Morales

### Independent Board Members

#### Board Members

Guillermo Díaz de Rivera Álvarez  
Salvi Folch Viadero  
Alejandro Hernández Delgado  
Juan Manuel Pérez Porrúa  
Alberto Saavedra Olavarrieta  
Hernán Sabau García  
Fernando Solís Soberón  
Martín Werner Wainfeld

#### Alternates

Jaime Gutiérrez de la Peza  
Pablo Kiehnle Zárate  
Samuel García-Cuéllar Santa Cruz  
Humberto Moreira Rodríguez  
Mario Arreguín Frande  
Luis Pérezcano Díaz  
Francisco Venegas-Martínez  
Efrén Del Rosal Calzada

#### Chairman

Guillermo Prieto Treviño

#### Vice Chairman

Rafael Mac Gregor Anciola

#### Statutory Auditor

Guillermo Roa Luvianos

#### Alternate Statutory Auditor

Roni García Dorantes

#### Secretary

Hugo A. Contreras Pliego

#### Secretary Pro Tem

Rafael García Job





## Committees

### Executive Committee

#### Members:

Guillermo Prieto Treviño (Chairman)  
Fernando Centelles Martín  
Fernando Concha Ureta  
Alfonso García Macías  
Rafael Mac Gregor Anciola  
Alberto Saavedra Olavarrieta  
Hernán Sabau García  
Gerardo Vargas Ateca

### Compliance and Ethics Committee

#### Members:

Guillermo Díaz de Rivera Álvarez (Chairman)  
Luis Enrique Estrada Rivero  
José Antonio Ordás Porras  
Alberto Saavedra Olavarrieta  
Hernán Sabau García

### Admission and New Products Committee

#### Members:

Alejandro Mayo Prida (Chairman)  
Joaquín Alducin Cuellar  
Alejandro del Valle Morales  
Alfonso García Araneda  
Juan Icaza Fernández del Castillo  
Sergio Alejandro Islas Pérez  
José Antonio Ordás Porras  
Rocío Vázquez Matute  
Sergio Zermeño Romero

### Promotion Committee

#### Members:

Alejandro Hernández Delgado (Chairman)  
Alfonso De Lara Haro  
Jaime Díaz Tinoco  
Alfonso García Araneda  
José Antonio Ordás Porras  
Jaime Villaseñor Zertuche  
Sergio Zermeño Romero

### Certification Committee

#### Members:

José Abraham Garfías (Chairman)  
Patricio Avendaño Castellón  
Ángela Balmori Iglesias  
Guillermo Camou Hernández  
Alfonso De Lara Haro  
Amilcar Antonio Elorza y Alegría  
Karla Siller Ojeda  
Sergio Zermeño Romero

### Discipline and Arbitration Committee

#### Members:

Alejandro Delgado Fernández (Chairman)  
Eduardo Facha García  
Jorge Lalalde Psihas

### Auditing Committee

#### Members:

Fernando Morales Gutiérrez (Chairman)  
Jerónimo Curto de la Calle  
José Luis García Ramírez  
Nicolás Olea Zazueta  
Tomás Peraza Prieto

### Clearinghouse Committee

#### Members:

Gloria Roa Béjar (Chairman)  
Aurelio Cervantes Lupián  
Jaime Ledesma Rodarte  
José Alberto Portilla Luhrs



## Primary Activities in 2005

At the beginning of 2005, we defined a business plan that would focus our institutional activities for the year, identifying challenges, strengths, opportunities and weaknesses in this market.

Among all the tasks facing us for the year, we defined three overarching objectives that would be assigned a special priority. These were:

- Maximizing the company's value, placing special emphasis on our shareholders' business priorities.
- Improving MexDer's position in the domestic and international sphere.
- Strengthening the transparency, security and trading efficiency of our market.

To do so, our strategic areas of action would be aimed at:

- Consolidating current products.
- Increasing the number of participants in the market: members and end clients.
- Developing and adapting instruments in tune with the market's needs.
- Strengthening operating structures.

The following describes the progress we made in each of these strategic areas.

## Consolidating Current Products

At the end of July, MexDer conducted a survey of all the brokerage firms that trade on the market, to identify the reasons for the drop in trading volume. The responses indicated that our participants had the following perceptions:

1. Internal factors: problems in determining settlement rates in futures contracts on the TIIE, excessive concentration and lack of participants, and trading and settlement fees.
2. External factors: high consumption of capital (capitalization costs), tax withholding for foreigners, a flat and/or inverted curve and few end clients.

Obviously, there were a number of reasons, and no single factor could be blamed for the decline in volume. We had to apply a plan of action that would not only reduce and control our operating expenses, but expedite procedures with the authorities to address some of the external factors.

The falloff in trading was due primarily to a drop in trading volume in the 28-day TIIE future contract. Not all contracts listed on the Exchange suffered from the same situation, however: the volume of future contracts on the U.S. dollar, on the 91-day Cete, and on the Mexican Stock Exchange's IPC index increased 109.55%, 78.62%, and 17.70%, respectively.

In the chapter of this report entitled "Market Facts and Figures", we present some tables and graphs that provide more details on trading trends over the year.

## Increasing the Number of Participants in the Market: Members and End Clients.

One of the clearest problems we observed was an excessive concentration in the number of participants, hence the need to attract foreign players to our market. One path taken toward this goal was the Global Account. Applications to trade this type of account were received from FIMAT Canada, Inc., Merrill Lynch International Ltd. (London), Calyon (Chicago) and Banco Santander Central Hispano (Madrid).

Toward this same end, bringing in remote market makers to enhance local liquidity requires, in many cases, allowing access to foreign traders, many of which have shown an interest in participating directly in the Mexican derivatives market. This is actually possible, because the official rules and provisions impose no limitations on direct involvement by foreigners. MexDer's participants today include banks, brokerage firms, trading corporations (independent traders), and foreign traders. We found that this was

a situation we could take advantage of, bringing in participants whose entry into other markets has proven to substantially increase the steady presence of buy and sell bids and trading volume, benefiting local participants and clients as well.

To facilitate this plan, we began work on a project called API/FIX, which would provide an alternative connection mechanism for members of this Exchange, allowing them to trade from their own facilities through systems other than that supplied by the Derivatives Exchange. In other words, Members can develop their own systems for sending and routing orders, or acquire one from an outside vendor, with the advantage that they can conduct their trading on their own screens, containing the information they specifically need for visualizing and executing orders, as well as displaying market data.

Under this system, the information sent by members (orders, bid closings, etc.) is received by MexDer through a mechanism developed by the Exchange, known technically as an Application Protocol Interface (API). This is possible through the use of an international standard called Financial Information Exchange (FIX), which Members use to develop their own systems. Although the API/FIX system opens up a range of new possibilities for Members, MexDer will continue to provide the SENTRA Derivados® and/or S/MART® trading systems for members that do not wish to develop their own systems.

## Developing and Adapting Instruments in Tune with the Market's Needs

On January 14, a new type of option contract on Exchange Traded Funds (ETF's) began listing, tracking two leading international equity indices:

- Option contracts on the NASDAQ 100-index Tracking Stock<sup>SM</sup> (QQQ<sup>SM</sup>)
- Option contracts on the iShares S&P 100 Index<sup>®</sup> (OEF)

The listing of derivatives on these indices is part of a joint strategy with the BMV, of making these instruments available to retirement fund managers (Afores), pursuant to changes in their investment rules. On January 18, 2005, Specialized Retirement Mutual Funds began trading in equities and options. This category of investor has become an important participant in the cash market, and by the close of the year six Afores were authorized by the National Retirement Saving System Council (CONSAR) to trade in derivatives. The rise in trading volume

and in open interest in futures on the IPC was due largely to the involvement of these new institutional investors.

Later, MexDer obtained a license from Standard & Poor's to list option contracts on the S&P 500, through the iShare known as the IVV, a more representative index than the S&P 100. The contract began listing on June 6, and was accompanied by the de-listing of the OEF option.

On July 25, the number of listed series of 28-day TIIE futures was increased, extending them to 120 months. This measure allowed some institutional investors to perform "paired" trades encompassing the entire curve up to 10 years.

On October 5, 2005, futures contracts on the euro began listing, so participants can now invest in and hedge euros directly without the need to go through the dollar. This is a unique advantage offered by MexDer.

Another new contract is the natural gas future. On October 17, MexDer signed a licensing agreement with the New York Mercantile Exchange (NYMEX) which paves the way for the listing of natural gas futures whose underlying value is the settlement price at the Henry Hub, the most widely-traded of its class in the world.

The project is a complex one, involving various authorities of the energy sector, and its implementation also depends on the elimination of the current scheme of fixing the price by official decree, since under these conditions a contract on natural gas would be inoperative. We will remain in contact with the authorities to evaluate the possibility of beginning to list these instruments when the time comes.

We also worked on the design of new instruments like the option contract on the dollar, for which MexDer received authorization of the General Contract Conditions from the authorities on December 19. This contract will be listed when there are more members interested in becoming market makers for this instrument.

## Strengthening the Operating Structure

### *Regulatory framework and tax regime*

Through the year, as a result of two major projects--Global Accounts and the incorporation of traders acting from abroad, we undertook an exhaustive review of the regulatory framework, which included a comprehensive examination of our Internal

Regulations and Manual of Policies and Procedures. The modifications that came out of this review process were submitted to the authorities for their approval, and the modifications pertaining to Global Accounts were approved and published on May 11. Those pertaining to members trading from abroad was considered a more complex issue from the regulatory standpoint, and is still in the process of authorization, which is expected to conclude in the first quarter of 2006.

On another matter, on September 13 we concluded the process of applying to the Commodity Futures Trading Commission (CFTC) of the United States for approval to distribute IPC futures contracts in that country (in the form of a no action letter), and permission to place MexDer trading screens. The application takes time, however, and it is likely that during the process additional information will be required to follow through on the request.

In the area of tax matters, after various requests by MexDer and procedures with the appropriate authorities, the SHCP issued new miscellaneous tax rules in the Official Gazette of the Federation on October 12, 2005, to address the pending issue of tax treatment for foreigners who trade in the TIIE future contract. A tax reform bill was also proposed, and published in the Gazette on December 23, 2005, the intent of which is to modify article 199 of the Income Tax law.

The modification of this law eliminates the tax withholding on derivative fixed-income transactions referenced to the TIIE, as well as to securities issued by the federal government and Banco de Mexico, provided they are performed on a recognized market or Exchange and the effective beneficiary is a foreign resident.

The elimination of tax withholding for foreigners in derivatives on bonds, Cetes and the TIIE is a crucial tool for renewing our promotion efforts abroad, because this has in the past kept foreigners from trading in the most liquid instrument on MexDer. This will give us a change to take up the topic again with potential traders and clients abroad, who had stayed out of the market for this precise reason. It will also facilitate promotion by current Traders to their clients and counterparties in foreign markets.

Another area of great importance was a project we are working on with the respective authorities that will allow MexDer market makers who comply with their obligations in futures contracts on M Bonds and the 91-day Cete to earn additional points in the calculation used by the SHCP and Banco de Mexico to designate its own market makers. There is a strong possibility that in the first half of 2006, the authorities will announce the new methodology it will use to designate market makers, and that it will favor institutions that are in compliance with MexDer. For many institutions, designation as a market maker by the SHCP and the central bank is a very important distinction, so MexDer has received a good response from brokers who want to become market makers in this market as well, and thus earn additional points.

### Promotion, Training and Certification

In early November, MexDer took part in the annual Expo held by the Futures Industry Association, which served as a point of connection with future clients. MexDer took the opportunity to begin promoting the new FIX connection mechanism, which will be ready in the first quarter of 2006, and to promote the October tax regime modifications. One-on-one meetings were held with potential traders as well as some Independent Software Vendors (ISV's) to encourage their interest in the Mexican derivatives market.

One of the areas in which we had to make some changes to adjust to the changing needs of the market was the certification of traders and/or promoters, as well as risk or account managers.

These modifications included:

a) Recognizing the certifications issued by the Mexican Securities Industry Association (AMIB) for personnel working in the cash market, incorporating futures contract into their work profile, as follows:

- *Investment strategy consultant*. Permitted to promote and trade futures contracts.
- *Money market traders*: Permitted to trade futures contracts on interest rates and currency.
- *Exchange traders*: Permitted to trade futures on stocks and indices.

These modifications expand the base of promoters and traders active in the derivatives market. They took effect on September 2, and the move has met with broad acceptance from participants.

b) A complete review of current certification categories, in



Encouraged by the success of this past year's award, we issued a call for entries in the 2006 National Derivatives Prize context, which will be received in the first quarter of 2006.

which MexDer worked together with AMIB, which is the certifying institution for this derivatives exchange. The work lasted for nine months, and involved a complete overhaul of exams to incorporate the AMIB methodology. Two new categories were added: derivatives product promoter and derivative product trader. Each of these categories and the corresponding exam covers both futures and options contracts.

c) As part of the project to incorporate Members operating from abroad, the following exams will be recognized toward accreditation as of January 2006:

- *NASD Series 3 and series 4, Trader Examination at Eurex and MEFF Institute Trader License*; both are to be considered equivalent to the derivative products trader category.

- *Financial Risk Manager (GARP) and Professional Risk Manager (PRMIA)*, equivalent to the Risk Manager category.

These new types of accreditation will be accepted for both Mexican and foreign personnel, guaranteeing equal treatment of all participants.

In the area of training, in October MexDer organized a course for the top investment executives of institutional investors, and invited a renowned foreign institution to participate as exhibitor. It also organized another course for potential traders in options on the 10-year Bonds (fixed-rate federal government development bonds). In both cases, the response from participants was highly satisfactory.

On April 5, MexDer held its second annual awards ceremony to present the 2005 National Derivatives Prize. The event was headed by Guillermo Ortiz Martínez, Governor of Banco de México; Juan Ramón de la Fuente, Rector of the Universidad Nacional Autónoma de México (UNAM); Carlos Enrique González Negrete, Rector for the Mexico City Metropolitan Area campus of the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), and Dr. Alejandro Hernández Delgado, General Director of the Academic Division of Economy, Law and Social Sciences of the Instituto Tecnológico Autónomo de México (ITAM).

The prize jury awarded first place in the thesis category to the world entitled "Analysis of Implicit Risk in Interest Rate Swaps in Mexico" and second place to "Country Risk Determinants: A Measurement Through Debt Swaps". In the research category, no first place was awarded, and the second prize went to "Coherent Risk Management with Futures on MexDer."

Encouraged by the success of this past year's award, we issued a call for entries in the 2006 National Derivatives Prize context, which will be received in the first quarter of 2006.

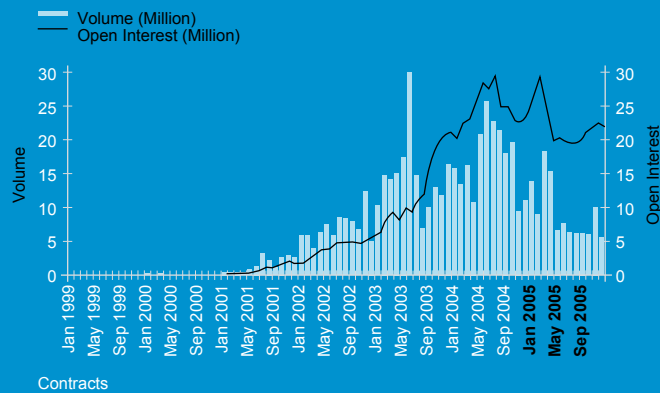


Finally, throughout the year we worked on developing the Derivatives Market Supervision and Oversight System (known as SUVIMED), which will contribute greatly to the activities the Compliance Office carries out in this area.

The system will go into production in late January 2006. It will have alarms that will allow for a more prompt, real-time control over what is happening in the market, and to detect cases that exceed certain limits that are established and configured by the Compliance Office itself.

## Market Facts and Figures

### Growth of MexDer 1999- 2005



	Jan-Dec 2005	Jan-Dec 2004	% Change 2005 Vs 2004
Volume (Contracts)	<b>107,989,126</b>	204,130,472	(47.00)
Value (Pesos)	<b>10.76 Trillion</b>	20.36 Trillion	(47.00)
No. Trades	<b>77,074</b>	108,952	(29.00)
Open Interest	<b>21,368,530</b>	23,025,824	(7.20)





## Trading Mix

	Jan - Dec 2005		Jan - Dec 2004		% Change 2005 Vs 2004
	Contracts	%	Contracts	%	
TIIE 28	99,830,916	92.45	199,550,333	97.76	(49.97)
CETES 91	4,509,002	4.18	2,524,381	1.24	78.62
DEUA	2,934,658	2.72	1,400,448	0.69	109.55
EURO	125	0.00	N/L	0.00	0.00
IPC	410,565	0.38	348,835	0.17	17.70
M3	0	0.00	0	0.00	0.00
M10	284,460	0.26	293,864	0.14	(3.20)
UDI	0	0.00	20	0.00	(100.00)
Shares	19,400	0.02	12,591	0.01	54.08
<b>TOTAL</b>	<b>107,989,126</b>		<b>204,130,472</b>		<b>(47.10)</b>

\* N/L = Not Listed



Trading remains heavily concentrated in the 28-day TIIE future, even though volume fell by 49.97% against the previous year. The weight of other contracts was too small to offset the global effect of this dramatic decline.

Trading in IPC futures, which rose by 17.70% in volume during the year, was the second largest contributor to the company's revenues in 2005.

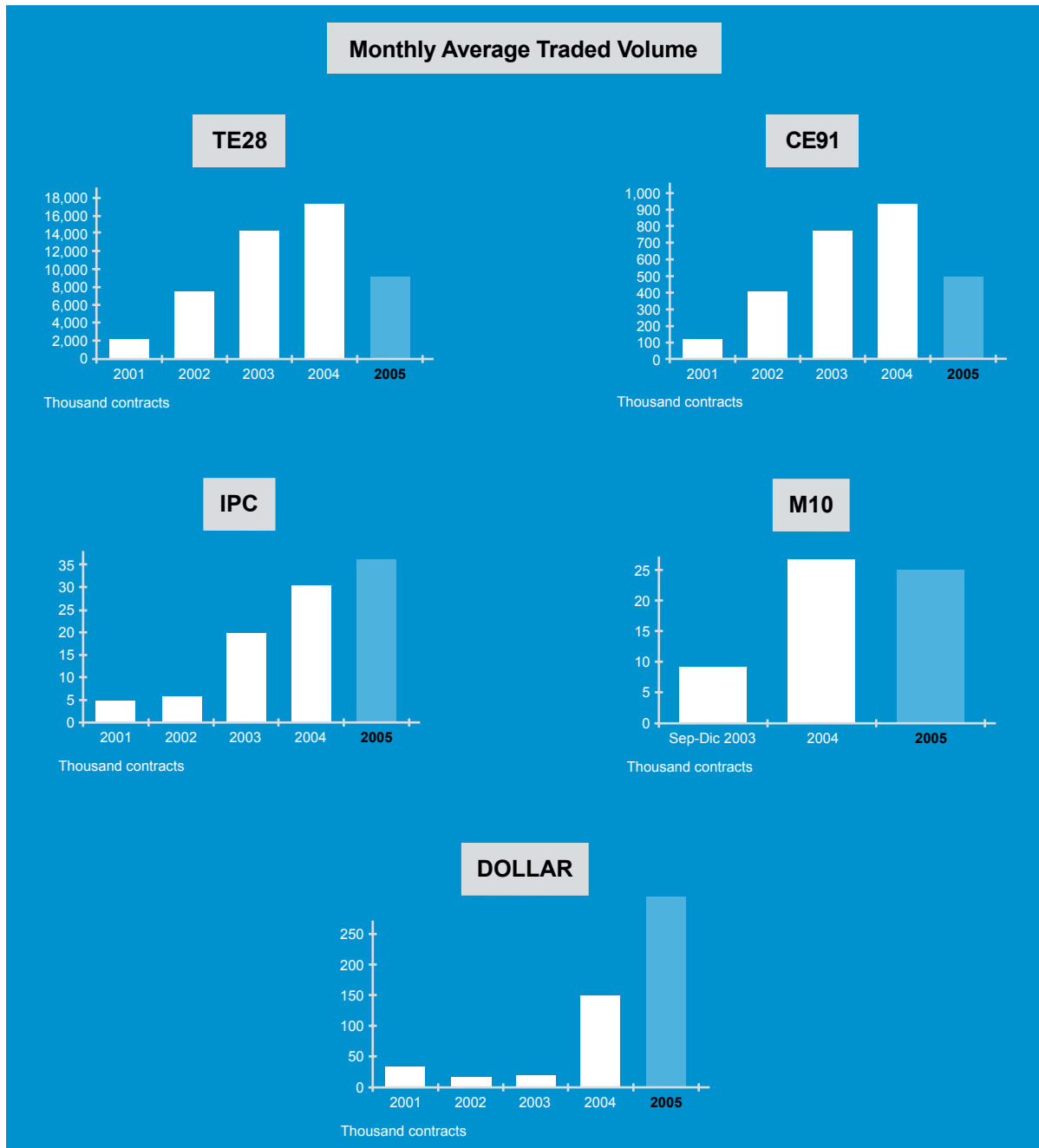
## Open Interest in Futures

	December 2005		December 2004		% Change 2005 Vs 2004
	Contracts	%	Contracts	%	
TIIE 28	21,075,907	98.63	22,839,861	99.19	(7.72)
CETES 91	130,000	0.61	62,000	0.27	109.68
DEUA	134,956	0.63	97,878	0.43	37.88
EURO	36	0.00	N/L	0.00	-
IPC	22,130	0.10	3,885	0.02	469.63
M3	0	0.00	0	0.00	-
M10	2,101	0.01	18,400	0.08	(88.58)
UDI	0	0.00	0	0.00	-
Shares	3,400	0.02	3,800	0.02	(10.53)
<b>TOTAL</b>	<b>21,368,530</b>		<b>23,025,824</b>		<b>(7.20)</b>

\* N/L = Not Listed

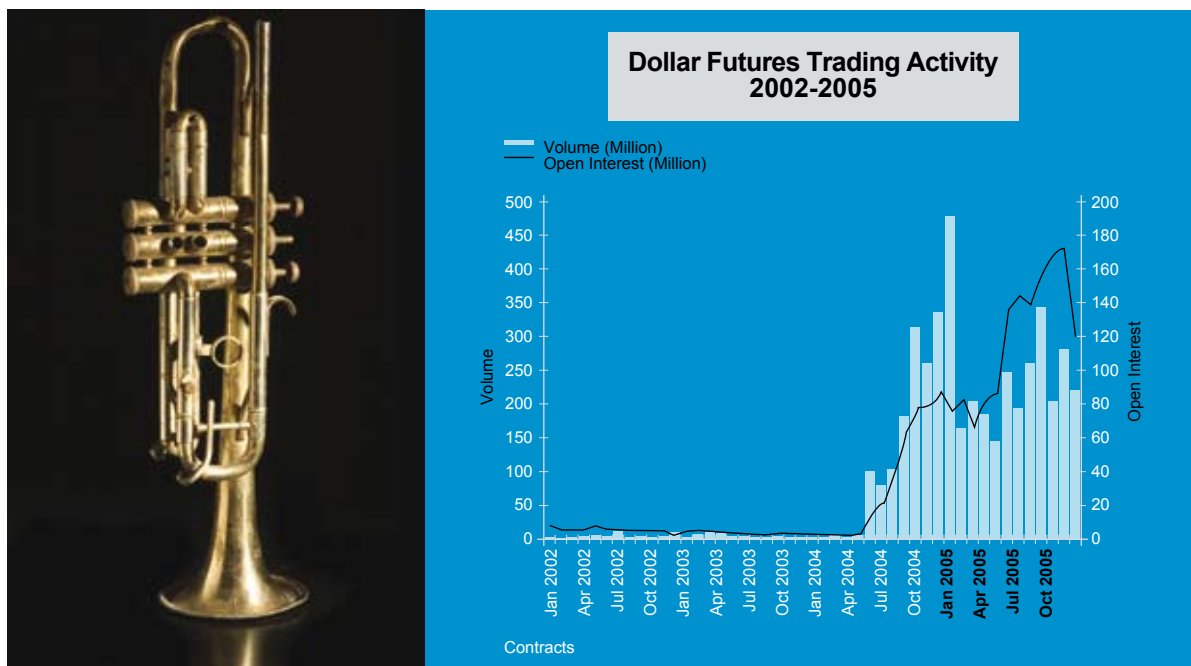
In 2005, open interest declined by 7.20% from the 2004 figure, due to the closure of positions in the 28-day TIIE future. At the same time, open interest in IPC futures rose sharply, expanding by 469.63%, and Cetes futures also grew by a substantial 109.68%.

As can be see in the first graph in this section, trading volume reached a record high in 2005, topping out at 30,537,467 contracts on March 11.



Note the steady rise in dollar future trading activity, where the average daily volume before the currency-pairing scheme took effect (January-May 2004) was 187 contracts, and after that point (June-December 2004), volume rose to 9.9 million contracts, or 99 million dollars, and in 2005 it reached 117 million dollars a day.

In terms of open interest, the dollar future hit its highest point in history, 211,692 contracts on November 14, corresponding to 2.12 billion dollars of open position. At the close of the year, this was the second largest contract in terms of open interest, after the TIEE future.

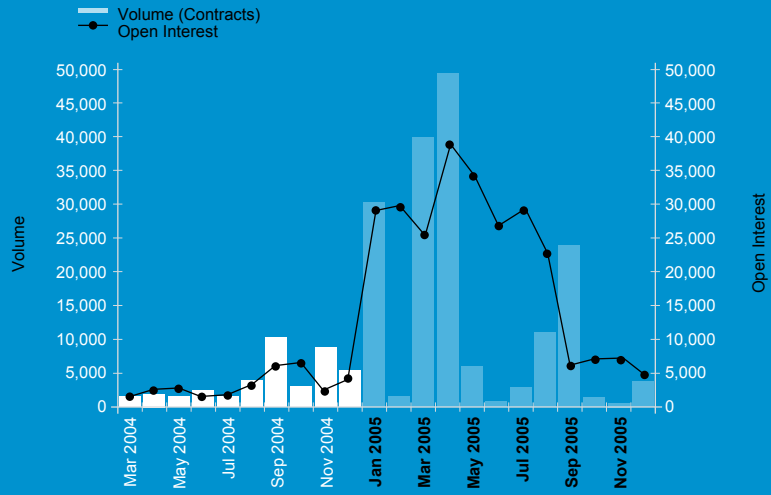


**Options Trading Activity**

	Trades		Call		Put		Volume (Contracts)		Open Interest	
	Dec 2004	Dec 2005	Dec 2004	Dec 2005	Dec 2004	Dec 2005	Dec 2004	Dec 2005	Dec 2004	Dec 2005
IP	140	26	1,270	1,009	4,086	2,880	5,356	3,889	4,676	3,493
AX	0	0	0	0	0	0	0	0	0	0
NA	2	0	30	0	30	0	60	0	0	2,030
IVV	N/L	0	N/L	0	N/L	0	N/L	0	N/L	0
QQQ <sup>SM</sup>	N/L	0	N/L	0	N/L	0	N/L	0	N/L	0
<b>TOTAL</b>	142	26	1,300	1,009	4,116	2,880	5,416	3,889	4,676	5,523

\* N/L = Not Listed

## Options Trading Activity on MexDer 2004 - 2005



The most active brokerage firms by asset class in 2005 were the following:



#### TIIE Futures

Santander Serfin  
ING Bank  
Banamex  
BBVA Bancomer  
Grupo Financiero Scotiabank Inverlat

#### CETES Futures

Santander Serfin  
BBVA Bancomer  
Grupo Financiero Banorte  
Banamex  
Nacional Financiera

#### IPC Futures

Grupo Financiero Scotiabank Inverlat  
Santander Serfin  
BBVA Bancomer  
Nacional Financiera  
Monex

#### Dollar Futures

BBVA Bancomer  
ING Bank  
Santander Serfin  
Grupo Financiero Scotiabank Inverlat  
IXE

#### Euro Futures

Monex  
Grupo Financiero Scotiabank Inverlat  
Gamaa Derivados  
BBVA Bancomer

#### 3-Year Bond Future

Not traded

#### 10-Year Bond Future

Santander Serfin  
Grupo Financiero Scotiabank Inverlat  
BBVA Bancomer  
ING Bank  
Finamex Casa de Bolsa

#### Stock Futures

BBVA Bancomer  
Santander Serfin  
IXE

#### IPC Options

BBVA Bancomer  
Santander Serfin  
Grupo Financiero Scotiabank Inverlat  
Grupo Financiero Banorte  
Nacional Financiera

#### Individual Stock and ETF\* Options

Nacional Financiera  
BBVA Bancomer  
Grupo Financiero Scotiabank Inverlat

\*By notional amount traded



## *Vision for 2006*

In the coming year, our goals as a derivatives exchange will be guided by a new structural environment, the result of changes to the tax regime, new capitalization rules, the API/FIX project and the incorporation of Remote Members. Our objectives will include:

- Positioning ourselves as the obligatory market of reference for trading derivatives products in Mexico.
- Becoming a swift, efficient, totally electronic market.
- Inviting the active participation of both local and foreign Members.

The strategic guidelines that underpin our plan of action are:

- Solidifying current products.
- Increasing the number of market participants, both Members and clients
- Developing and adapting instruments in keeping with the market's needs
- Bolstering the trading structure (systems and legal framework)



In pursuing these guidelines, we will place special emphasis on the API/FIX project, on promotion and training, and focusing on a “customer oriented” service.

## Shareholders/Members

- Arbitraje Derivados, S.A. de C.V.
- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex (Antes Citibank)
- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Fideicomiso 13928-7
- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Fideicomiso 14016-1
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Fideicomiso GFSSLPT
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Fideicomiso 100,740
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Fideicomiso F/29763-0
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Fideicomiso F/29764-8
- Bolsa Mexicana de Valores, S.A. de C.V.
- Carson & Brasch Trading Company, S.A. de C.V.
- Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte
- Dalami Corredores, S.A. de C.V.
- Darka, S.A. de C.V.
- Delta Derivados, S.A. de C.V.
- Derfin, S.A. de C.V.
- Deutsche Securities, S.A. de C.V., Casa de Bolsa
- Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex
- Fopsa, Futuros y Opciones de México, S.A. de C.V.
- Futuros y Opciones de la Serna y Asociados, S.A. de C.V.
- García, Macías, Araneda y Asociados, Gamaa Derivados, S.A. de C.V.
- GBM, Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM
- Grupo Especializado en Futuros y otros Derivados S.A. de C.V.
- HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC
- Interactive Brokers Group, LLC
- Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa
- Invex, Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero
- Ixe Casa de Bolsa S.A. de C.V., Ixe Grupo Financiero
- Maxder, S.A. de C.V.
- MEFF AIAF SENAF Holding de Mercados Financieros S.A.





- Merrill Lynch México, S.A. de C.V., Casa de Bolsa
- Mexinder, S.A. de C.V.
- Monex Derivados, S.A. de C.V.
- Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero
- Opciones y Futuros de México, S.A. de C.V.
- Operadora de Derivados Serfin, S.A. de C.V.
- Operadora de Derivados Tíber, S.A. de C.V.
- Plusder, S.A. de C.V.
- Scotia Inverlat Derivados, S.A. de C.V.
- Scotiabank Inverlat, S.A., Institución de Banca

Múltiple, Grupo Financiero Scotiabank Inverlat, Fideicomiso No. 101667

- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Fideicomiso No. 101776
- Servicios y Asesoramientos Financieros, S.A. de C.V.
- Sociedad Operadora de Futuros y Opciones, S.A. de C.V.
- Stock & Price, S.A. de C.V.
- Valores Mexicanos Casa de Bolsa, S.A. de C.V.
- Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero
- Vertex, S.A. de C.V.



## MexDer Participants

### Who Trades on MexDer?

#### TRADING MEMBERS

- Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex.
- Actinver Casa de Bolsa, S.A. de C.V.
- Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa.
- Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero.
- Banco Nacional de Comercio Exterior, S.N.C.
- Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte.
- Darka, S.A. de C.V.
- DerFin, S.A. de C.V.
- Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex.
- García, Macías, Araneda y Asociados, Gamaa Derivados, S.A. de C.V.
- GBM Grupo Bursatil Mexicano, S.A. de C.V. Casa de Bolsa, Grupo Financiero GBM.
- Grupo Especializado en Futuros y otros Derivados, S.A. de C.V.
- Interacciones Casa de Bolsa, S.A. de C.V.
- Invex Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero.
- Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero.
- Merrill Lynch México, S.A. de C.V., Casa de Bolsa.
- Monex Casa de Bolsa, S.A. de C.V.
- Monex Derivados, S.A. de C.V.
- Multivalores Casa de Bolsa, S.A. de C.V.,
- Multivalores Grupo Financiero.
- Operadora de Derivados Serfin, S.A. de C.V.
- Scotia Inverlat Derivados, S.A. de C.V.
- Servicios y Asesoramientos Financieros, S.A. de C.V.
- Stock & Price, S.A. de C.V.
- Valores Mexicanos Casa de Bolsa, S.A. de C.V.
- Vector Casa de Bolsa, S.A. de C.V.



## CLEARING MEMBERS

- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Fideicomisos No. 13928-7 y No. 14016-1.

- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Fideicomisos No. F/29763-0 y No. F/29764-8.

- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Fideicomisos No. GFSSLPT y No. 100740.

- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Fideicomisos No. 101667 y No. 101776.



Market Makers	TE28	CE91	DEUA	M3	M10	Stocks	IPC
Banco del Centro, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte.	√	√			√		
Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero.	√						
Banco JP Morgan, S.A., Institución de Banca Múltiple, J.P. Morgan Grupo Financiero.	√						
Banco Mercantil del Norte, S.A., Institución de Banca Múltiple, Grupo Financiero Banorte.	√	√					
Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex.	√	√	√	√	√		
Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin.	√	√	√	√	√	√ Options	√ Options
Bank of America México, S.A., Institución de Banca Múltiple.	√		√				
BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.	√	√	√	√	√	√ Options	√ Options
Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte.							√
Casa de Bolsa Santander Serfin S.A. de C.V., Grupo Financiero Santander Serfin.							√ Options
Deutsche Bank México, S.A. Institución de Banca Múltiple.	√	√					
Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex.	√	√	√	√	√		√
GBM, Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM.							√
HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC.	√	√					
ING Bank (México), S.A., Institución de Banca Múltiple, ING Grupo Financiero.	√		√	√	√		
Invex Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero.	√	√		√	√		
Ixe Banco, S.A., Institución de Banca Múltiple, Ixe Grupo Financiero.	√	√	√ UDI			√ Options	√ Options
Ixe Casa de Bolsa, S.A. de C.V., Ixe Grupo Financiero.	√	√					
Monex Casa de Bolsa, S.A. de C.V.	√	√	√		√	√ Options	√ Options
Multivalores Casa de Bolsa, S.A. de C.V. Multivalores Grupo Financiero.	√	√	√		√		
Nacional Financiera, S.N.C.	√	√		√	√	√ Options	√ Options
Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.	√	√	√	√	√		
Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat.							√ Options
Valores Mexicanos Casa de Bolsa, S.A. de C.V.	√	√	√ UDI	√	√		



## *Corporate Officers*

Jorge P. Alegría Formoso

Chief Executive Officer

Luis Armando Acevedo Gómez

Operations

Carlos Neda Landázuri

Comptroler

Rafael García Job

Legal Affairs

Rodolfo Liaño Gabilondo

Promotion





ASIGNA, Compensación y Liquidación (ASIGNA) is an administration and payment trust created in December 1998 with BBVA Bancomer, in order to act as counterparty to trades on the Mexican derivative market (MexDer, Mercado Mexicano de Derivados, S.A. de C.V., or MexDer).

The trustors of ASIGNA are institutions belonging to the four main financial groups of the country: Banamex-Citigroup, BBVA Bancomer, Santander-Serfin, and Scotiabank Inverlat, which act as clearing members in the Mexican derivatives market. Within the trust, BBVA Bancomer and S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores (S.D. Indeval) also participate as equity trustors.

The primary functions of Asigna are:

- To act as counterparty for banks, brokerage firms or their clients, in the transactions performed on behalf of these clients by Clearing Members on MexDer.
- To record and clear trades on MexDer.
- To settle on a daily basis and at the expiration of the contracts in which it functions as counterparty, all the financial obligations and obligations to deliver and receive securities and/or currency that stem from these contracts.
- To calculate and administer initial margins, limit positions, haircuts, and any other risk management policy it deems appropriate.
- To administer, keep custody of and invest the financial resources that make up the Clearing Fund and the Margin Fund.
- To administer and oversee market risk.
- To oversee Clearing Members.
- To apply measures in the event of default or bankruptcy by a Clearing Member.



## M i s s i o n

To offer clearing, settlement and risk management services, acting as a central counterparty in derivative financial trading. To provide participants with an increased degree of security, transparency and creditworthiness at competitive prices, and thus to guarantee the orderly development of the derivatives market and thus contribute to strengthening the Mexican financial system; with efficient and profitable trading and with the highest standards of technology and personnel qualifications.

## V i s i o n

To become a clearinghouse for standardized derivative products with the highest credit rating both domestically and abroad, by providing services that are up to international standards, while managing and controlling risk.









## ***Message from the Chairman of the Technical Committee***

In 2005, Asigna, the clearinghouse of the Mexican derivatives market (MexDer), confirmed its institutional strength, a quality that allows it to weather the ups and downs and periods of marked volatility in the various financial markets.

The numbers show lower trading volume than last year, and thus lower revenues, but the financial statements indicate an operating income of 32.5 million pesos, which means an increase in Asigna's total equity compared to the previous year.

Significantly, however, in 2005 Asigna grew stronger in the areas considered the greatest assets of a clearinghouse: legal certainty, trading security, efficient market supervision, and solid risk management—all of which show a marked improvement over 2004.

This was reflected in an improvement in Asigna's global rating from Standard & Poor's and the ratification of its triple-A rating from Fitch de Mexico S.A. de C.V., and Moody's Investor Service.

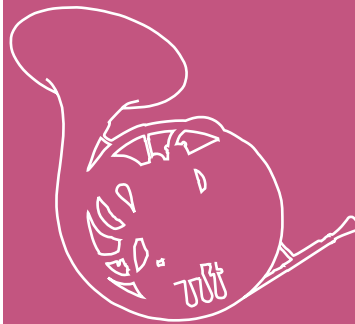
I was particularly proud, as Chairman of the Technical Committee of Asigna, of the approval of a multi-year Technological Plan in

2004, and of promptly completing the scheduled stages of that plan in 2005.

I am also pleased to say that Asigna is seeking to diversify its lines of business, which will allow it to better handle contractions in the market. So depending on the progress of other foreign markets in building their own derivatives markets, Asigna may shortly be performing remote clearing in those markets.

I cannot end this message without expressing my gratitude to each and every member of the Technical Committee for their excellent work and professional dedication; to representatives and participants from our Clearing Members, for their active participation in the market; and to the staff of Asigna, for their enthusiasm in the performance of their duties and in facing the challenges that have arisen.

**Gerardo Vargas Ateca**



## ***Message from the Chief Executive Officer***

One of last year's outstanding achievements was the technological progress made at Asigna, in keeping with the guidelines of its Technological Plan. The project to increase the automation of the Clearing and Settlement system (called Straight Through Processing, or STP) was completed, reducing trading risk and shortening the trading cycle. We also concluded installation of a trading backup application that automatically ensures business continuity in the event of failure in the central equipment. Having begun to incorporate the securities administration function, we also made more progress toward reducing platforms.

In the Risk Management System, we completed the process of updating languages in order to remain at the forefront of programming languages for this type of system. The updated system will be in production by the first two weeks of 2006.

Because of its strategy of strengthening the Safety Net, Asigna maintained its triple-A credit rating with three international rating agencies, and Standard & Poor's added an indication of "better outlook" than last year to its rating.

On the trading side, the groundwork was laid for the incorporation of Global Accounts and Omnibus Accounts. Trading was also opened in option contracts on TRACs (stock-referenced certificates, or Exchange-Traded Funds, ETF), referenced to two foreign price indexes and one future contract.

Asigna's technological and trading strategy has allowed it to develop the infrastructure necessary for foreign institutions to trade easily and safely in the Mexican market. Our work toward allowing participants to submit T-notes issued by the U.S. Government as margins for trading in the local market is just one of the efforts we have made to offer new trading facilities for these participants in a context of security.

In order to allow institutions to participate more efficiently in the market, we also took steps with the authorities, completing publication of various legal ordinances by the end of 2006, such as new capitalization rules for banks, and provisions to regulate derivative trading by insurance and bonding companies.

In 2005, Asigna held to its management principle of disciplined current spending and rational acquisition. So even though our revenues declined last year, we still brought in a solid profit. The net result on our balance sheet is eloquent testimony of this: the total equity of the Trust rose by 12% from 2004 to 2005.

At the close of 2005, we can proudly say that Asigna is better prepared to face the challenges of 2006. Our Technological plan includes new goals, including a re-engineering of the clearing and settlement system and incorporating margin administration functions into the system, which will consolidate all of the Clearinghouse's operations into a single system.

In the business sphere, we are beginning an effort to diversify, promoting remote clearing services for markets just beginning to trade in derivatives in other countries. We also plan to create a database for statistical



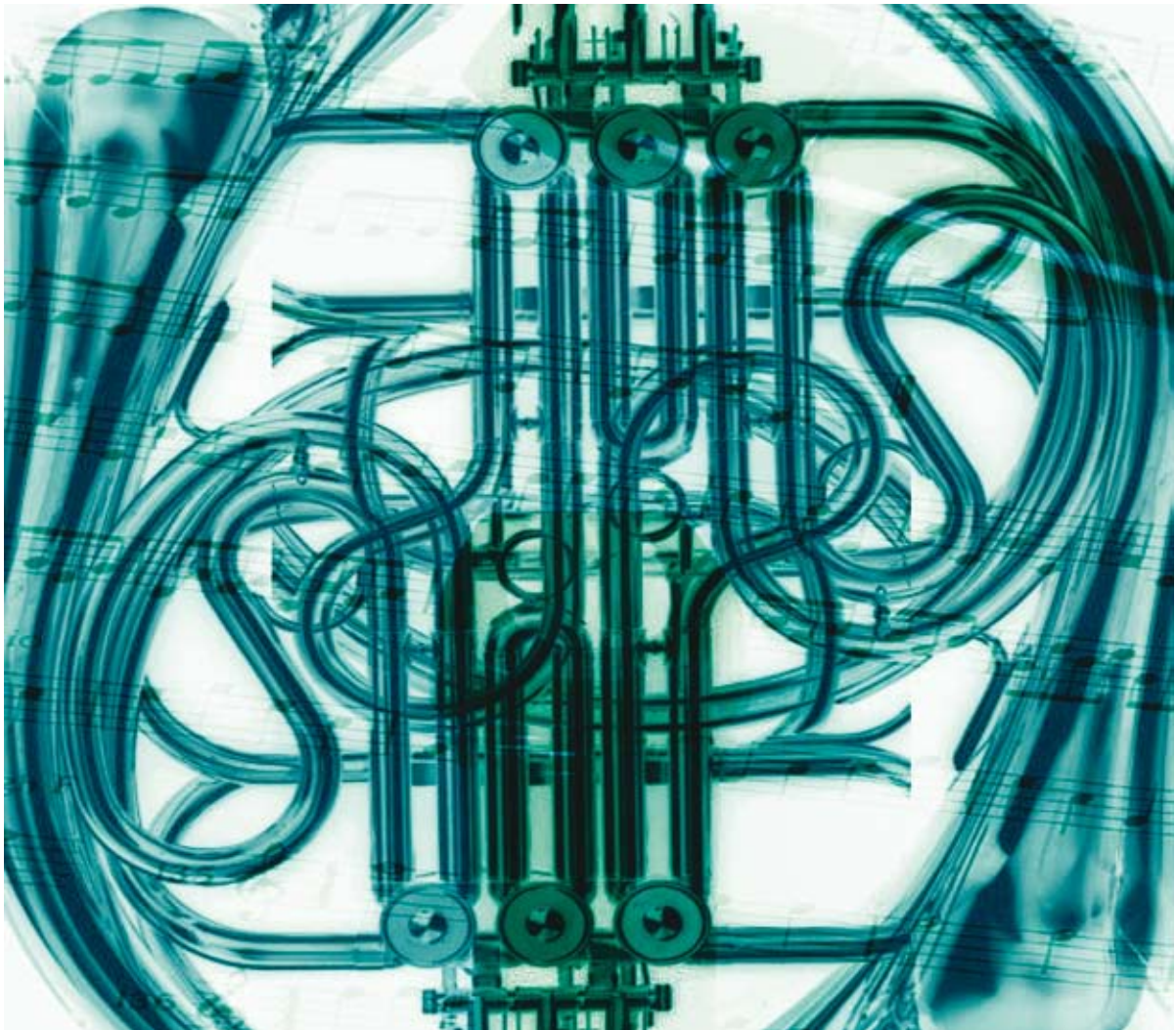


purposes that will allow us to make better use of the information generated on the trading, clearing and settlement of derivatives.

I believe that the entire Asigna team has played a part in making this institution greater, and contributed to the proper performance of the market. As we

conclude another year of activities, I am grateful for all of our employees and the representatives of our clearing members for their joint efforts in this task, and their role in allowing us to present good results to the Technical Committee and other governance bodies. I am also grateful to these committees for all the support and time they have devoted to the administration of this Clearinghouse.

**Jaime Díaz Tinoco**



## Technical Committee

### Institutional Members

#### Members

Roberto González Barrera  
Gerardo Minjares Calderón  
Guillermo Prieto Treviño  
Juan Carlos Rosales Hernández  
Gerardo Vargas Ateca  
Sergio Martín Zermeño Romero

#### Alternates

Francisco Molina Viamonte  
Jorge Alegría Formoso  
Gerardo Mejía Moreno  
Jaime Ledesma Rodarte  
Gloria Roa Béjar  
Jorge Miguel Fernández García Travesí

### Independent Members

#### Members

Guillermo Díaz de Rivera Álvarez  
Fernando Morales Gutiérrez  
Hernán Sabau García

#### Alternates

Jaime Gutiérrez de la Peza  
José Rocha Vacío  
Luis Pérezcano Díaz

#### Chairman

Gerardo Vargas Ateca

#### Vice Chairman

Sergio Martín Zermeño Romero

#### Secretary

Hugo A. Contreras Pliego

#### Secretary Pro Tem

Rafael García Job



## ***Subcommittees***

### ***Administration Sub-Committee***

**Members:**

Gloria Roa Béjar (Chairman)  
Aurelio Cervantes Lupián  
Jaime Ledesma Rodarte  
José Alberto Portilla Luhrs

### ***Compliance and Ethical Sub-Committee***

**Members:**

Guillermo Díaz de Rivera Álvarez (Chairman)  
Luis Enrique Estrada Rivero  
José Antonio Ordás Porras  
Alberto Saavedra Olavarrieta  
Hernán Sabau García

### ***Admission and Risk Management Sub-Committee***

**Members:**

Alfonso de Lara Haro (Chairman)  
Germán Angulo Vega  
Reyna Avendaño Jiménez  
Octavio Mieres Hermosillo  
Sergio Porcell Maraver

### ***Disciplinary Sub-Committee***

**Members:**

Alejandro Delgado Fernández (Chairman)  
Eduardo Facha García  
Jorge Lazalde Psihas

### ***Internal Audit Sub-Committee***

**Miembros:**

Fernando Morales Gutiérrez (Chairman)  
Jerónimo Curto de la Calle  
José Luis García Ramírez  
Nicolás Olea Zazueta  
Tomás Peraza Prieto



## Primary Activities in 2005

### I. Clearing and Settlement

#### Trading Activity

A total of 108 million contracts were registered for clearance and settlement in 2005. This was a 47% decline from 2004, when the volume was 204 million contracts. Consequently, the notional amount of these contracts totaled 10.8 billion pesos in 2005, almost half of the 20.3 billion pesos reported the year before.

In 2005, 99.8 million futures contracts were traded on the 28-day Interbank Equilibrium Interest Rate (TIIE), accounting for

92.3% of total volume. The second most heavily traded contract, by its weight in total volume, was the future on 91-day Federal Treasury Certificates (CETES). Trading in this instrument totaled 4.5 million contracts in 2005, almost double the 2004 amount. Its share in the total market was 4.2%, compared to 1.2% the year before.

Trading volume in U.S. dollar futures was almost three million contracts, considerably higher than the year

	Transactions	Volume (Contracts)	Value (Million Pesos)	Value (Million Dollars)	Open Interest (End of period)
January	8,920	13,816,355	1,375,306	122,046	26,094,362
February	6,824	8,973,847	892,993	80,088	28,625,183
March	6,886	18,166,205	1,801,485	162,110	24,783,684
April	6,421	15,350,950	1,520,560	136,931	19,388,427
May	6,418	6,574,218	653,246	59,442	19,696,301
June	6,348	7,667,436	763,378	70,439	19,122,559
July	4,137	3,735,804	372,547	34,864	18,821,328
August	5,922	6,138,125	611,383	57,223	19,134,296
September	6,394	6,261,194	624,480	57,865	20,541,390
October	6,853	5,916,909	591,625	54,648	21,069,661
November	6,987	9,995,883	998,941	93,502	21,924,731
December	5,472	5,565,477	556,320	52,559	21,374,053
<b>Total</b>	<b>77,582</b>	<b>108,162,403</b>	<b>10,762,263</b>	<b>981,716</b>	



before when it was just over one million contracts. In 2005, dollar futures accounted for 2.7% of trading in the market, making it the third most important contract. A total of 410,000 futures on the Price and Quotations Index (IPC) of the Mexican Stock Exchange were cleared in the year, 17.7% more than in 2004.

In terms of option contracts, more than 173,000 were traded in all the series listed, which was a substantial increase over the 40,000 contracts traded in 2004.

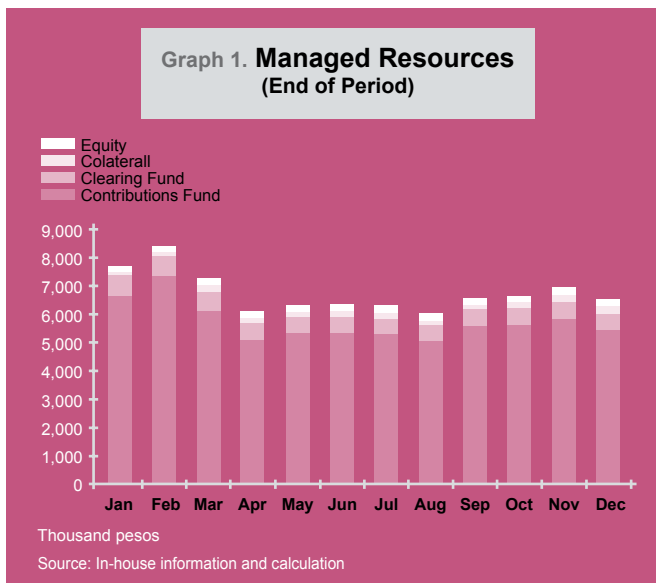
As of December 30, 2005, total open interest on the market stood at 42.74 million contracts, compared to 46.06 million on December 31, 2004 a reduction of 7.2%.

### Fund Management

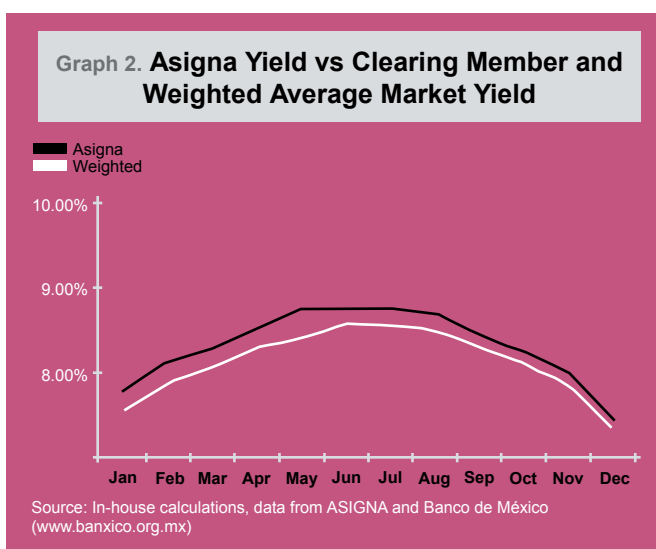
At the close of 2005, Asigna had a total of 6.50 billion pesos under administration, including 5.71 billion pesos in the Margin Fund (including margin securities); 608 million pesos in the Clearing Fund, and 188 million in minimum equity (Graph 1).

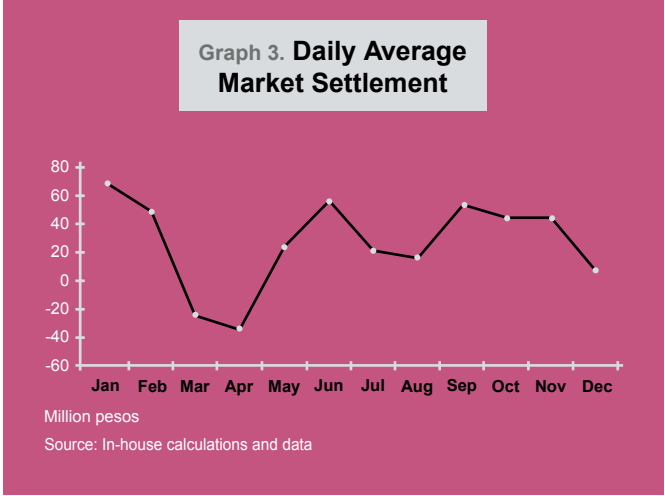
The funds that comprise the equity of Asigna, as well as the Margin and Clearing Funds, were invested in established in the applicable regulations, which stipulate that these resources be invested in government instruments at terms of up to 90 days.

In 2005, the submission of margin securities became a particularly important issue, particularly starting in March, when Asigna began to accept U.S. Treasury Bills as margin securities. During the year, securities held in custody by the Clearinghouse accounted for 2.86% of the total initial margins.



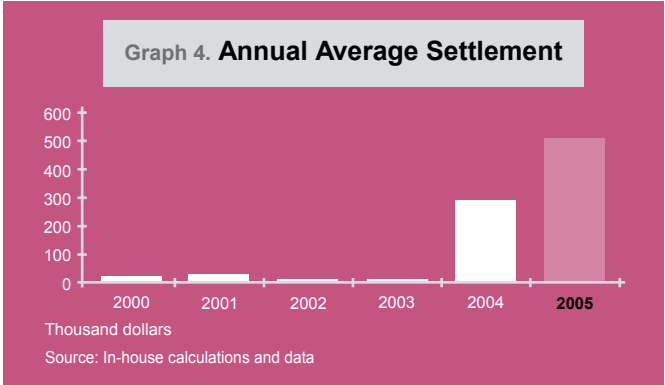
Furthermore, in a context of steady decline in interest rates, the yield paid out on the market protection resources Asigna administered was 21 basis points higher than the average market funding rate, which was 9.12%. Graph 2 shows the yield obtained compared to the weighted average market rate.





**Daily Market Settlement**

During the year covered by this report, the average amount settled in the market on a daily basis was 147.9 million pesos. This flow of funds was the result of the daily mark-to-market valuation of our Members' positions: restatement of margins and clearing fund, gains and losses, and interest generated. This process, which is central to market trading because it guarantees performance of the obligations assumed in the trades, was carried out without problems or unnecessary delays. Like all the world's leading clearinghouses, Asigna performs settlement through the central bank's electronic interbank payment system, which in Mexico is known as SPEI. Graph 3 shows the trend in daily net market settlement over the year.

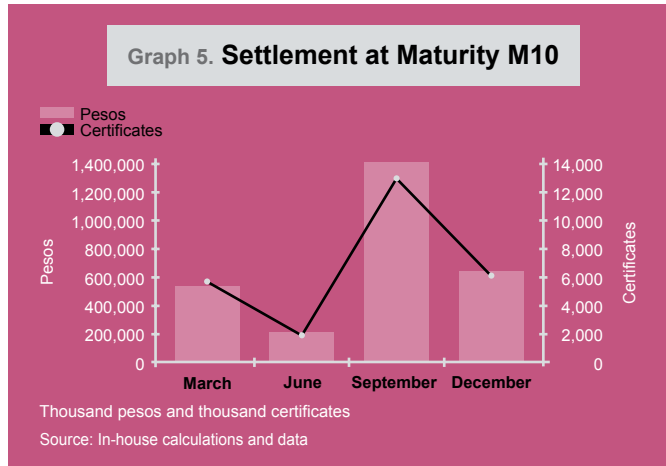


**In-kind settlement of U.S. Dollar Futures**

In 2005, a total of 610,000 dollar future contracts were settled physically, meaning delivery of 6.11 billion dollars. In 2004, 342,000 contracts were settled, implying physical delivery of US\$3.43 billion. Graph 4 shows the trend in daily settlement, which totaled 43.3 billion during the year.

***In-kind settlement of M10 Bond Future Contracts***

Another contract settled by physical delivery in 2005 was the future on the 10-year fixed-rate bond (M bond), which was settled in the four delivery periods established in its general contract conditions. Trading in this instrument has been fueled by growing interest in longer-term hedges. Graph 5 shows the amounts settled in each quarter of the year, both in securities and in delivered cash. This settlement process was carried out by S.D. Indeval as transfer free of payment.



**II. Administration**

In 2005, Asigna reported 59.4 million pesos in revenues, 18.83% less than the year before. With discipline and a stable structure on the spending side, however, we were able to reduce outlays by 1.94% and generate an operating income of 32.5 million pesos for the year.

As of December 2005, Asigna’s equity totaled 192.7 million pesos, equivalent to 52 million inflation-indexed investment units (UDIs), 37 million higher than the regulatory minimum of 15 million UDIS. The Clearinghouse equity grew 12% in the year, which meant an increase in the value of the equity contribution certificates held by Clearing Members that own shares in Asigna’s equity. At the end of the year, the value of each of these certificates was 15.2 million pesos.



In 2005, Asigna reported 59.4 million pesos in revenues, 18.83% less than the year before. With discipline and a stable structure on the spending side, however, we were able to reduce outlays by 1.94% and generate an operating income of 32.5 million pesos for the year.

### III. Safety Net

The safety net gives the Clearinghouse a solid, reliable and effective mechanism for dealing with potential default and/or failure by any client, global account, traders or clearing members. It establishes trading rules, authority of action, and the financial resources available to deal with such circumstances, and is intended to guarantee all of the transactions executed through MexDer, the Mexican derivatives market.

Each component of the Safety Net is structured to provide the highest level of security, as well as an effective tool for promptly detecting any improper or unusual financial practice. In order to supply the necessary level of protection to the market, the resources contributed to the Net depend on the risk of each portfolio, which depends in turn on its diversification, volatility, and the number of open contracts.

If we analyze the trend in Asigna's Safety Net over the course of 2005, we can see that in January, February and March, they were considerably higher than in the same months of 2004, rising 31%, 34% and 20%, respectively. In contrast, from April to the end of the year, those resources shrank by up to 12% against the preceding year.

There were three reasons for this:

- 1) a decline in open interest in futures on the 28-day TIIE (TE28), starting in the month of February and stabilizing from April on;
- 2) changes in the breakdown of market portfolios;
- and 3) two reductions in the required margins for the 28-day TIIE, the direct result of a decline in its volatility from preceding years.

<b>Safety Net Resources</b>							
	Fund *	Proprietary Position Equity	Third-party Position Equity	Asigna Equity	Total Resources 2005	Total Resources 2004	2005 vs. 2004
January	8,698	575	319	169	<b>9,762</b>	7,445	31%
February	9,252	593	344	172	<b>10,362</b>	7,754	34%
March	8,252	584	461	176	<b>9,473</b>	7,905	20%
April	7,119	628	524	179	<b>8,451</b>	8,241	3%
May	6,962	655	391	181	<b>8,188</b>	8,392	(2%)
June	7,162	693	427	183	<b>8,465</b>	8,787	(4%)
July	7,339	725	422	183	<b>8,670</b>	9,176	(6%)
August	7,084	620	425	185	<b>8,314</b>	8,858	(6%)
September	7,419	608	404	187	<b>8,618</b>	8,891	(3%)
October	7,526	620	416	189	<b>8,751</b>	8,941	(2%)
November	7,566	539	371	192	<b>8,668</b>	8,951	(3%)
December	7,437	549	400	193	<b>8,578</b>	9,721	(12%)

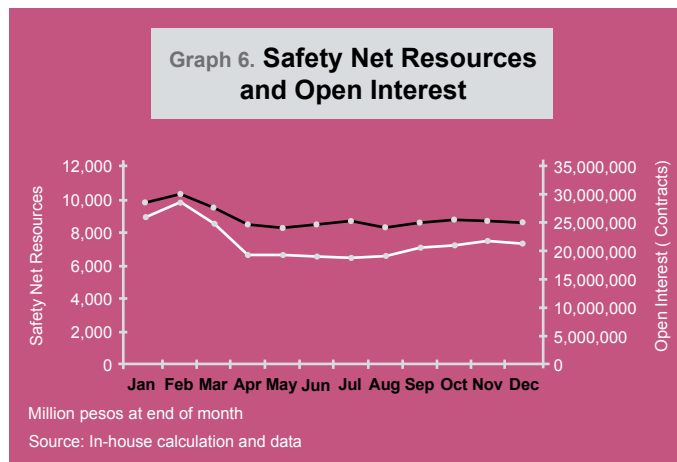
\* Fund includes excess margins and margin and clearing funds.  
Millions pesos at end of month

At the close of 2005, the Safety Net had 8.58 billion pesos in resources, and during the year it averaged 8.86 billion pesos.

These numbers are clear proof of the efficiency of the Safety Net, since, again, it is intended primarily to provide the level of protection required by the market. Thus, the fund grew in periods where participants were most exposed to risk, and declined when that exposure diminished. Also, the lower open interest in the 28-day TIIE had the positive impact of increasing participation in other contracts.

The Admission and Risk Management Sub-Committee continually evaluates the sufficiency of these resources through different types of stress testing, which take into account “extreme” market conditions. Based on the results of those stress tests, Asigna forms an opinion of the Net’s financial solidity. To date, all these evaluations have shown that its resources are sufficient to provide the necessary protection to the market.

Last year, with the introduction of a new category in MexDer--Global Account Managers--the clearinghouse’s Safety Net was expanded in order to create a Safety Net for this type of account manager.





## IV. Credit Rating

In 2005, the three rating companies that work in our country--Standard & Poor's Rating Services, Fitch Ratings Mexico and Moody's Investors Service--coincided on the positive outlook for the Mexican derivatives market, on the efficiency and solidity of the Safety Net and the preventive and supervisory mechanisms, and the transparency and strong financial performance of Asigna. This led those agencies to ratify and in some cases to improve their ratings, assigning this institution the highest credit rating available in Mexico.

Standard & Poor's upgraded its long-term foreign-currency rating from BBB- to BBB, and confirmed its short-term foreign-currency rating of A-3, both with a stable outlook. At the same time, it confirmed its local-currency rating of BBB/Positive/A-2 and its rating on the national scale--CaVal--from mxAAA/Stable/mxA-1+. This upgrade is attributed to low foreign-currency exposure and the security and financial solidity consistently offered by the Safety Net.

Moody's Investor Service reiterated its rating of Aaa.mx on the local scale--with a stable outlook--and its local-currency rating of A1 on the global scale. Finally, Fitch Ratings Mexico maintained its counterparty risk rating of AAA(mex), which is the highest credit rating available on the domestic rating scale, indicating prompt compliance with financial commitments.

## V. Other Key Activities

Beyond the trading activity that occupies Asigna, in 2005 we were also highly active in various projects, primarily technological, that are part of the overall Technological Plan set in motion in 2004.

### *Automation (Straight Through Processing, or STP)*

In May 2005, the Straight Through Processing (STP) automation project was completed. This program eliminates all manual activities carried out, from the Front Office to the Back Office.

The project reduces trading risks, and Clearing Members can enter trades at the individual client level, avoiding cross-financing that could arise when the records were entered in the third-party account. It also facilitates submission of applications to exercise options, or notification of delivery of bond futures. Additionally, the STP project narrowed the average time for conclusion of the trading cycle.

### *Mirrored Trading Backup*

In mid-July, Asigna concluded its plan to install a mirror backup program for the clearing and settlement system (Intracs). This program guarantees continuity of trading even in the event of failure in one of the computers housing the system.

For this project, the clearinghouse acquired software that replicates all activity in the production equipment real time on the backup equipment. In the event of a contingency, activities can be resumed in a maximum of 5 minutes.

As a complement to this backup, a process called Domain Name Service (DNS) was begun, which allows the Risk Management System (known as SIMAR) to direct its communication channel automatically to the repository enabled by the Intracs replication application on the backup equipment.

In the Securities Administration System (SAVAP), adjustments were also made to allow information on collateral to be updated in the event of a production equipment crash.



### *Progress Analysis of Collateral Management in Intracs*

In December 2005, the analysis and design phase of the Margin Securities Management project in the clearing and settlement system (Intracs) was completed. This project centralizes clearing, settlement and management of securities margins in a single platform, thus eliminating the need for the Securities Margin Administration system (SAVAP). The new functions added to this system reduce both trading risks and maintenance costs. Development and testing should be complete in the first half of 2006.

### *Updating and Migration of Language (SIMAR)*

In 2005, the necessary work was done on updating some operating functions as well as the programming language of the Risk Management System (SIMAR). These updates were completed in January 2005, and will immediately be installed in the applications of Clearing Members as well.

### *Strengthening the Safety Net*

ASIGNA has a strategy of continually strengthening the Safety Net. As part of this strategy, additions were made to the Internal Regulation and Operating Manual on how global accounts function.

### *Products Listed in 2005*

In 2005, two new option contracts and one futures contract were listed. The option contracts represent two ETF's: the "NASDAQ-100 Index Tracking Stock<sup>SM</sup>" (QQQ) and the "iShares S&P 500 Index<sup>SM</sup>" (IVV); the latter replaces a similar option on the "S&P 100 Index<sup>SM</sup>" (OEF). A new future on the euro also joined the market.

Also in 2005, testing was conducted for subsequent trading of a future on the 182-day Cete and the option contract on the "Russell 2000", a price index referenced to highly liquid U.S. stocks.

### *Global Accounts*

In May 2005, the Ministry of Housing and Public Credit (SCHP) authorized modifications to the regulations of MexDer and Asigna, to incorporate trading in global accounts and make these ordinances consistent with the rules that had been set a few months earlier in order to create the concept of global accounts.

### *Acceptance of T-Notes*

During the year in question, the clearinghouse applied to the SHCP for authorization to accept Treasury notes issued by the U.S. government as margins, provided their maturity term was less than or equal to 182 days. T-Notes are the second U.S. government bond, after T-Bills, to be accepted by Asigna as contributions toward margin accounts.

### *Market Promotion*

Throughout the year, a number of actions were taken jointly with MexDer to promote the market in general. Foreign financial entities were encouraged to participate through the administration of accounts analogous or similar to global accounts, under the terms of Prudential Provision number sixty. Specifically, Asigna has sought to bring new clearing members into the market. One of the most important efforts made toward publicizing the market last year was the award of the third National Derivatives Prize in 2005.



## ***Vision for 2006***

Next year, Asigna will continue along the strategic lines it laid out in 2004. In the area of technology, this will mean continuing projects begun in 2005 and pursuing its overall objective of offering “a threshold of ten years of useful life to the systems that assist Asigna in its functions.” As for business concerns, our largest and most important concern will be diversifying our services.

### **Re-engineering the Clearing and Settlement System (Intracs)**

Our most important project in 2006 will be a re-engineering of the Intracs system. The project includes purging programs that are no longer useful; standardizing programming in order to create a dictionary of references based on common nomenclature for all files and screens; creating a relational data base; and finally, re-writing the system in the language that is most appropriate for overall development. This initiative begins in January 2006 and may take until 2007 to complete.

### **Updating Infrastructure**

To create the appropriate data infrastructure for handling the demands generated by Intracs-related projects, Asigna will upgrade the computer equipment on which that application runs, since the current equipment has been operating for 5 years. The new equipment is expected to go into production in the month of April.

### **New Comprehensive Trust System: NSIF**

In 2006, BBVA Bancomer will update the Comprehensive Trust System. The new version will be more user-friendly, have more lookup and information access functions, and can handle specific trading and security requirements of its users. Asigna uses this system for its treasury and accounting movements.

### **Data Base Integration**

In 2006, the Clearinghouse will assemble a database with trading information and basic data used in determining risk indicators. Between April and May, the extractors will be developed, and in the rest of the year, the systems personnel will upload the information. The project includes some functions like billing and calculation of commissions.

### **Promotion**

In 2006, Asigna will continue as always its efforts to encourage and promote the market, participating in a number of national and international forums in this area. We will continue to sponsor the National Derivatives Prize, together with MexDer, and will launch a number of publications on the market that will allow for better understanding of the market in general and the clearinghouse in particular.

## Trustors

- Banco Nacional de México, S.A., Member of Grupo Financiero Banamex, Trust No. 13928-7, Proprietary Position Clearing Member.
- Banco Nacional de México, S.A., Member of Grupo Financiero Banamex, Trust No. 14016-1, Third-Party Position Clearing Member.
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Trust GFSSLPT, Proprietary Position Clearing Member.
- Banco Santander Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Trust 100,740, Third-Party Position Clearing Member.
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Trust No. F/29763-0, Proprietary Position Clearing Member.
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Trust No. F/29764-8, Third-Party Position Clearing Member.
- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Trust No. 101667, Proprietary Position Clearing Member.
- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Trust No. 101776, Third-Party Position Clearing Member.
- S.D. INDEVAL, S.A. de C.V., Institución para el Depósito de Valores.



## *Corporate Officers*

Jaime Díaz Tinoco

Mario D. Solano Flores

Amilcar A. Elorza y Alegría

Rafael García Job

Mireya Suárez Flores

Jiyouji Ueda Ordoñez

Chief Executive Officer

Trading and Operations

Trading

Legal Affairs

Treasury and Settlement

Risk Management









SIF ICAP, S.A. DE C.V. (SIF ICAP), formerly called SIF Garban Intercapital Mexico, S.A. de C.V., is one of the leading brokerage companies in Mexico. It offers a full range of services for trading all the financial products or instruments through electronic and voice negotiation, and maintains an active participation in each of these, offering advanced technology, efficiency, speed and reliability.

SIF ICAP specializes in facilitating bank trading in the money market, foreign-exchange market and over-the-counter (OTC) trading in derivatives. With support of our highly specialized brokers and sophisticated electronic voice and data systems, we have established a broad-based and active involvement in the Mexican market and a high level of recognition.

## M i s s i o n

The activities of SIF ICAP are regulated and supervised by the National Banking and Securities Commission. To provide electronic services for the trading of fixed-income instruments, the spot exchange rate, forwards and swaps, with the highest standards of efficiency, speed and reliability, maximizing the benefits to our clients and working under the highest ethical and professional standards at all times.

## Our Principles

SIF ICAP facilitates trading for its clients by working to conduct trades capably, simply and reliably, with the lowest cost and highest quality possible.

We strive continually to satisfy our clients in real time and to act in advance of their needs, while working under the following set of principles:

- We work as a team to provide the best service possible at all times.
- We hire only personnel with a broad knowledge of the market and with an ethical and responsible approach to their work.
- We remain a step ahead of the competition in developing solutions for our clients.
- We develop systems backed by the best technology available to guarantee the security and efficiency of trading.
- We always keep channels of communication open with clients to make sure they are fully aware of the advantages of our products and services.
- We defend the confidentiality of our clients' information under all circumstances.



## *Message from the Chief Executive Officer*

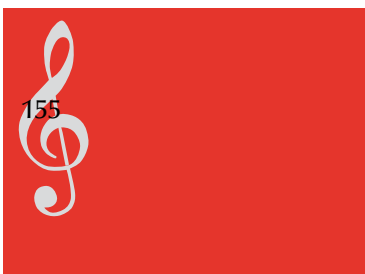


The year 2005 was full of both challenges and rewards for SIF ICAP. With the vision and unconditional support of our two shareholders, the Mexican Stock Exchange (BMV) and ICAP, we undertook a sweeping transformation of our technology areas in order to develop and serve new markets.

We built a systems and communications area capable of providing higher levels of quality than in the past, as we keep with the increasingly high levels of specialization required in this industry. The transition from our previous vendor to this newly created area will not affect the level or quality of service that we have always offered our customers.

We are very proud to continue offering our clients, employees and shareholders the results they expect from a company of this caliber.

**Rodolfo Sánchez-Arriola Luna**





## *Board of Directors*

### Board Members A Series

#### Members

Patrick Doucet Leautaud  
Rafael Mac Gregor Anciola  
Guillermo Prieto Treviño

#### Alternates

Eligio Esquivel Llantada  
Federico Flores Parkman Noriega  
Alejandro Reynoso del Valle

### Board Members B Series

#### Members

Donald Marshall  
Vladica Nelson  
Douglas Rhoten

#### Alternates

Gary Grella  
Steve McDermott  
James McNulty

### Chairman

Guillermo Prieto Treviño

### Statutory Auditors

Carlos García Cardoso  
Fernando Morales Gutiérrez

### Secretary

Hugo Arturo Contreras Pliego

### Secretary Pro Tem

Johanna Sousa Camargo



## *Committees*

### *Foreign - Exchange Market Consulting Committee*

Emilio Camou Loera  
Eduardo Carranza Cervantes  
Juan José Hicks Pedrón  
Gilberto Romero Galindo  
Pedro Sánchez Palazuelos

### *Consulting Committee (on trading matters and the fixed-income market)*

Ricardo Acevedo de Garay  
Francisco Bataller López  
Luis Betancourt Barrios  
Juan Alberto Carrizales Picón  
Federico Flores Parkman Noriega  
José Antonio Gómez Aguado de Alba  
Luis Sayeg Seade  
Javier Villa Roiz



## *Primary Activities in 2005*

New businesses are taking on increasing weight in this company's results, primarily those relating to electronic brokerage and over-the-counter derivatives trading. This is basically because the relationship with ICAP has increased the range of opportunities open to this company and allowed us to become a leader in trading in these markets.

SIF ICAP is a pioneer in the electronic brokerage field, and has invested heavily in personnel and in systems in order to supply its clients with the best product possible, which allows them to optimize their resources through the many areas of market trading this company covers. At the close of the year, SIF ICAP was handling a volume of close to 90 billion pesos a day.

SIF ICAP has also strengthened its leadership in sovereign debt, interest rates swaps, forward, repos and overnight investment markets.

During the past year, the company began covering the corporate debt market, developing an electronic-phone platform that allows for trading in any instrument. This platform positioned SIF ICAP as a leader in that segment, based on the quality and capabilities of the executives that initiated and serve this market.

The following chart lists the various products and services SIF ICAP offers to its clients in Mexico.

- SET TD:
- Funding / Repos
- Assignment
- Government Bonds
- Interest rate swaps (IRS)
- Forwards
- Short-term swaps
- Corporate bonds in pesos
- Corporate bonds in dollars
- Repos
- SIPO
- SIPO Auctions
- CEBICS Auctions
- Electronic Spot
- Brady bonds
- Treasuries
- Cash Deposits

SIF ICAP is a pioneer in the electronic brokerage field, and has invested heavily in personnel and in systems in order to supply its clients with the best product possible, which allows them to optimize their resources through the many areas of market trading this company covers.

Last year, SIF ICAP's market share grew in all of the areas it is involved in through its subsidiaries and affiliates in Argentina, Chile, Colombia and Peru, attaining a dominant position in each region.

In December the company carried out the necessary corporate procedures to change its name from SIF Garban Intercapital Mexico, S.A. de C.V. to SIF ICAP, S.A. de C.V.

The reason for the change was that the group the company belongs to, Garban Latin American Holdings, which is also one of the shareholders of SIF ICAP, decided to modify the name "Garban" to "ICAP" on a global basis. We believed it was appropriate for this company to change its name as well in order to align ourselves with the current international image of its shareholder.



## *Vision for 2006*

Unfortunately, we are finding that fees in South American markets are more and more limited, and in some of the subsidiaries of SIF ICAP there was no possibility of expanding their business, even though they handled an increased volume. For others, the only way to grow was by offering more internationally-oriented products and services, like those currently offered through ICAP's Jersey City office in the U.S. This is one of the reasons we believe this is a good time to be divesting of assets in South America.

The next year is full of imposing challenges, and we will dedicate ourselves to continuing to promote trading in derivative products and to develop systems that will increase trading volume on fixed-income markets, electronically or with the assistance of our brokers.



## Shareholders

- The Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A. de C.V.)
- ICAP (Garban Latin American Holdings, B.V.)

ICAP plc, previously called Garban Intercapital plc, is a shareholder of SIF ICAP, S.A. de C.V. ICAP plc ranks 108th on the list of the largest companies listed on the London Stock Exchange, and has a market cap of £2.7 billion pounds sterling. With more than 3,000 members of its global staff, ICAP has a strong presence in London, New York and Tokyo, all with a local presence in 20 different financial centers.

ICAP is the largest interdealer broker in the world in voice and electronic trading platforms, and represents 28% of the

world's interdealer market. The group participates actively as a broker in the over-the-counter derivatives market, money market, fixed-income, foreign-exchange, energy, credit and equity derivatives.

The companies of Grupo ICAP facilitate more than one trillion U.S. dollars in daily trading volume, 50% of it through electronic media. The company pioneered the area of electronic brokerage and its integration into voice platforms. The range of money market trading it handles through electronic brokerage is much more extensive than any other broker. Through the BrokerTec, ETC, FRA-Cross, i-Swap and i-Forwards platforms, ICAP remains at the forefront of the industry in terms of the technology it uses to enhance trading efficiency.

ICAP has a strong presence in London, New York and Tokyo, all with a local presence in 20 different financial centers and is the largest interdealer broker in the world in voice and electronic trading platforms.





## *Corporate Officers*

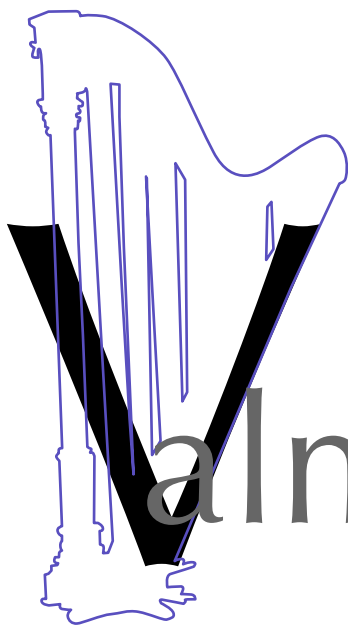
Rodolfo Sánchez-Arriola Luna  
Ramón Güémez Sarre  
Jorge Livingstone Vaught Ortiz  
Alfredo Prieto Harris  
Pedro A. Ruiz Noriega  
Johanna M. Sousa Camargo

Chief Executive Officer  
Chief Financial Officer  
Systems and Technology  
Money Market and SET TD  
Gubernamental Papel and Trading  
Legal Affairs









Valuación Operativa y Referencias de Mercado, S.A. de C.V.

Valuación Operativa y Referencias de Mercado, S.A. de C.V. (Valmer) supplies updated prices for valuing financial instruments on a daily basis, as well as comprehensive services in the areas of calculation, information, analysis and risk, relating to those prices.

Valmer was founded in the year 2000 by the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A. de C.V., or BMV, and Algorithmics, Inc. Its authorization to offer these services was granted in public document number DGSM 178/00 folio 5178, issued by the National Banking and Securities Commission (CNBV) and dated July 31, 2000.

## Mission

To contribute information on the valuation of financial instruments independently, reliably and promptly; to create a more transparent climate for the valuation of financial assets of various financial institutions in Mexico; to maintain strategies consistent with those of the financial industry; and to strengthen the image and profitability of the business.

## Vision

To be a leading price vendor by offering efficient valuation processes under the highest standards of transparency, reliability, and speed.



## *Message from the Chief Executive Officer*

The constant pace of change and increasing sophistication of new financial products has required all the market's participants to keep up with the speed the system demands. Valmer has risen to this challenge, generating prices and valuation references for virtually all the securities that may be traded on the Mexican market. In the last three years, the number of values included in our price vector almost tripled, from 2,360 to 9,760 instruments at the close of 2005.

The generation of new products and services and the addition of new clients have made Valmer the leading price vendor in the Mexican financial system. Valmer already has a base of more than 146 clients, 22% more than in 2004.

This growth required us to strengthen our operating and systems infrastructure in order to preserve the quality of our services while supporting the generation of new products that would complement the current range and make this more profitable business.

On this last point, I am proud to mention that Valmer increased its revenues by more than 17% in 2005 without any substantial change in its fees, thanks to a strategy of diversifying its products and market niches.

The following is a brief summary of our biggest projects and achievements in 2005.

**Market position.** Valmer was able to strengthen its financial position, operating at a profit since the start of 2005 and becoming a leader in the market, with 68% of the mutual fund managers, 50% of brokerage firms and 52% of banks. Between 2002 and the present, our client base grew from 55 to 146, including 12 corporate treasuries that are not obliged by law to use a price vendor but have found Valmer an efficient way to value their portfolios and inputs on a daily basis for the purposes of risk management.

**State-of-the-art valuation methodologies:** Starting in 2005, new committees were created within Valmer's structure: the Clients Committee and Operating Committee, which together with the Valuation Committee seek out ways to efficiently update and execute an increasingly sophisticated array of valuation methodologies. Also in 2005, the first work meeting of the Academic and Research Council was held, with prestigious members of the national and international financial community. This council is intended to help keep Valmer abreast of the latest trends in the international financial industry.

**New products and services.** In 2005, our commercial strategy focused on creating new products and services, including specialized vectors, data bases, on-line calculators, benchmarks, portfolio valuation, matrixes and risk indicators, among others. In 2005, these new products accounted for close to 20% of our annual revenues.

In conclusion, five years after its founding, Valmer is an important member of the Mexican financial community, and its actions are grounded in its commitment to maintaining high standards of quality and reliability in its products and services.

**Gerardo Gamboa Ortiz**





## Board of Directors

### Institutional Board Members

#### Members

Jaime Díaz Tinoco  
Marcos Jacobsen  
Guillermo Prieto Treviño  
Natan Rosen  
Pedro Zorrilla Velasco

#### Alternates

José Manuel Allende Zubirí  
Marco Antonio Hernández Jiménez  
Alejandro Reynoso del Valle  
Michael Spragge  
Michael Zerbs

#### Chairman

Guillermo Prieto Treviño

#### Statutory Auditor

Carlos García Cardoso

#### Secretary

Hugo A. Contreras Pliego

#### Secretary Pro Tem

Johanna M. Sousa Camargo



## *Committees*

### ***Valuation Committee***

#### *Voting Members:*

Salvador Alonso y Caloca  
Dan Rosen  
José Carlos Alberto Sánchez Cerón

#### *Non-voting Members:*

Jaime Diaz Tinoco  
Gerardo Gamboa Ortiz  
Nicolas Olea Zazueta

### ***Operating Committee***

María Concepción Delgado Savorio  
Gerardo Javier Gamboa Ortiz  
Miguel Ángel Torres Canseco





## Primary Activities in 2005

This past year, Valmer concluded a number of projects intended to enhance its operating and administrative efficiency, develop new products, and strengthen the company's image and profitability, serving clients through increasingly personalized and higher quality attention.

In 2005, we laid out a number of strategic guidelines to follow, which included:

### Global Objectives:

- Increase the company's operating efficiency.
- Expand and make the business more profitable.

### Strategic Directions:

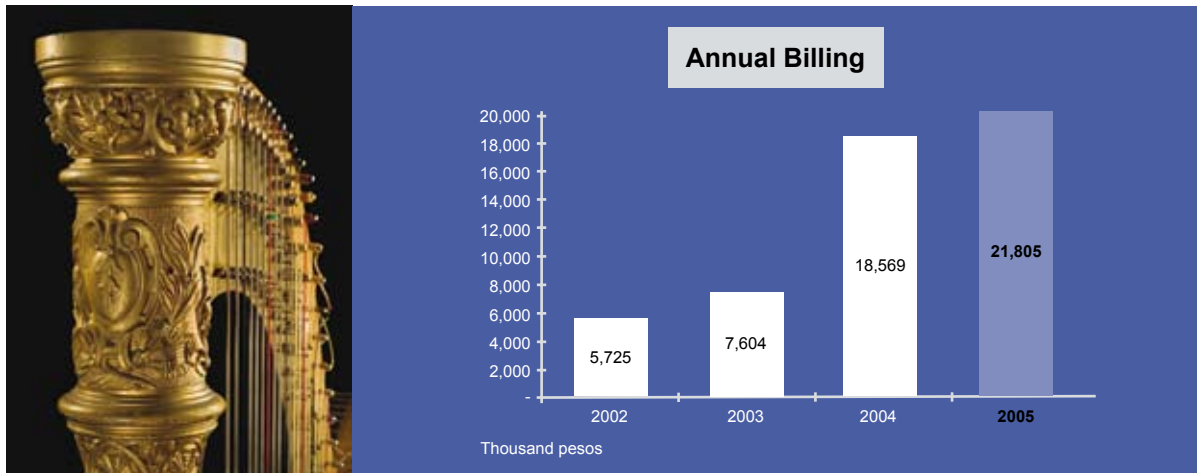
- Strengthening the risk area
- New products and market niches

- Make customer service more efficient and step up promotional efforts.

Valmer's client base ended 2005 at a total of 146 financial institutions, 22% more than at the end of the previous fiscal year. In terms of revenues, this meant a 17% increase in annual billing.

Valmer also had a leading market share of 68% in the mutual fund manager segment.

The growing demand for new products allowed Valmer to expand its services to new business niches, including:



## Market Share

	Valmer %
Mutual Fund Managers	68
Bonding Companies	63
Banks	52
Brokerage Firms	50
Retirement Fund Managers	42
Insurance Companies	31
Others	69

1. Derivatives valuation. Valmer provides daily values for portfolios and trading in over-the-counter instruments like Swaps, Options, Forwards, Credit Link Notes, etc.

2. Special vectors: Various types of vector were established to meet regulatory requirements by the authorities, like margin requirement vector, average vector, value-date vector, etc.

3. Calculator for structured notes, swaps and forwards.

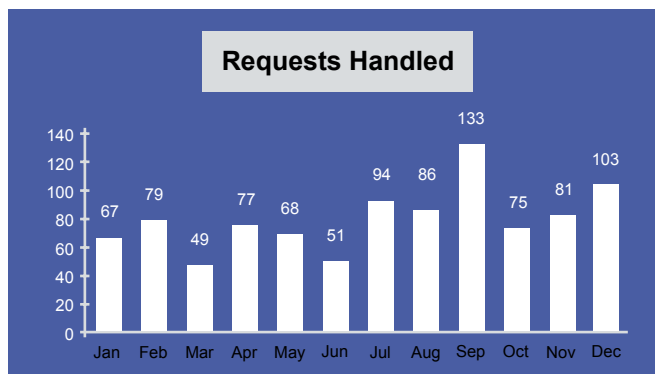
4. Issuer and Instrument Rating Basis.

5. Government broker summary.

6. Money market turnover index.

## Promotion and Customer Service

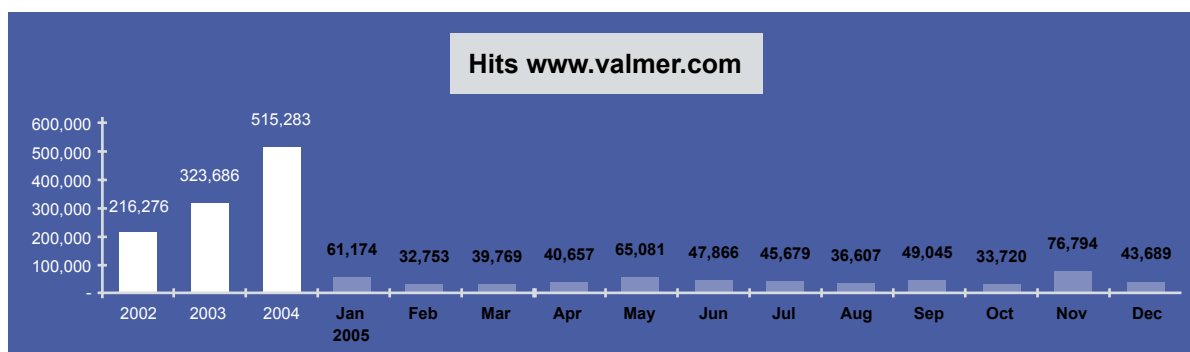
In order to improve customer service, special emphasis was placed on developing automated processes for tracking requests. As part of this



effort, the Valmer User Service Center was established, and channeled more than 1,000 requests in 2005, which were handled promptly (less than 1 day turnaround) and in a satisfactory manner by the respective areas of the company.

## Web Page

Valmer launched a new web page in 2005, which incorporate changes in its design and functionality. The page now offers more than 100 new lookups and services at no additional cost to clients.



On indication of the success of the Valmer web page ([www.valmer.com](http://www.valmer.com)) was the number of hits, which averaged 47,736 in 2005 (572,834 in the year as a whole), 11% higher than in 2004.

## Update of Valuation Methodologies: Valuation Committee

The most important methodological changes made last year based on meetings of the Valuation Committee in 2005 were:

- Valuation of Mortgage-Backed Securities (MBS).
- Approval of the methodology for Mortgage-referenced bonds.
- Valuation scheme for CD's on derivatives.
- Approval of a methodology for the TIIE-IRS curve.
- Approval of the stock market methodology for suspended issuers and series with low or minimal market liquidity.
- Approval of the methodology for the bank curve.
- Approval of the dual-type CD methodology.

## Operations

To reliably and promptly serve the growing need for valuation of derivatives, Valmer created an area specialized in this type of instrument, which worked together with the systems area to automate valuation and modeling of derivatives in Risk Watch. A total of 1,300 OTC derivative products were valued,

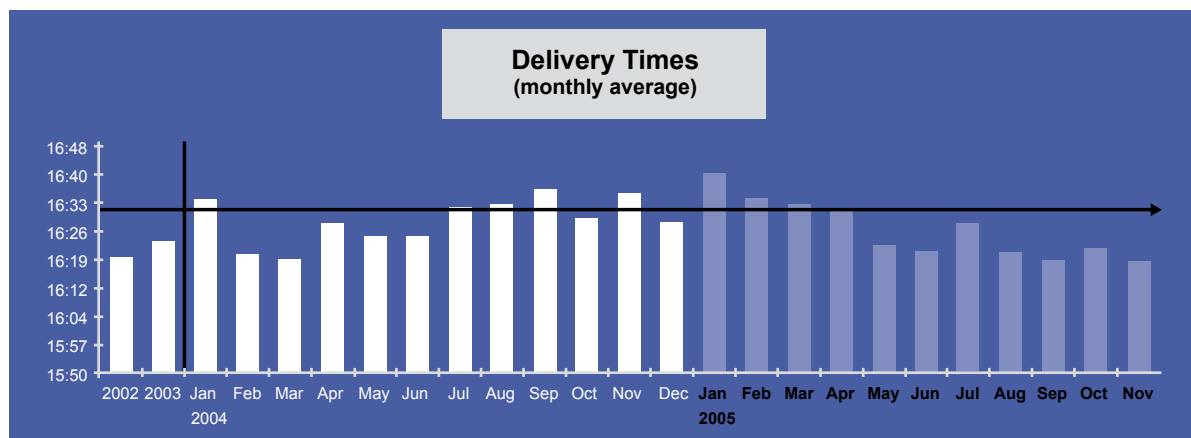
including forward, swaps, options and exotics, and 600 Eurobond, corporate bond, swaps and forward calculators were released.

Another big achievement during the year was the conclusion of an agreement with electronic brokers (Enlaces, Eurobrokers, Remate y SIF ICAP), which gives Valmer year-round trading information from these sources.

At the request of a number of institutions, Valmer offered portfolio valuations calculating the main risk indicators, like VaR, volatility, convexity and duration.

In 2005, it successfully launched the lookup of specific vectors, which allow users to track the performance of international securities and price indexes, and which are already authorized for trading by specialized retirement mutual funds (SIEFORES).

In 2005, the average time of delivery for the Definitive Vector was 4:25 p.m. slightly under the target delivery time of 4:30. in 204 days out of the year (80% of the time), the vector was delivered before the target and only on 12 days (5% of the time) it was delivered after 4:30 pm. We believe there is still an opportunity to improve in the coming year, and we are committed to doing so.



## Indexes and Benchmarks

At the close of 2005, Valmer had nearly 100 different indexes and benchmarks, 51 of which were government debt, 12 were bonds issued by the federal government on foreign markets (UMS bonds), 32 were corporate bonds, 3 bank issues and eight money market indices. In addition to these products, Valmer continues to prepare its personalized corporate bond indices for two leading banking institutions.

It also launched a new version for the construction of indexes, which issuers can use to build indices according to specific selection criteria and their needs. A direct calculator was also released for the different indexes and benchmarks, and one for structured notes.

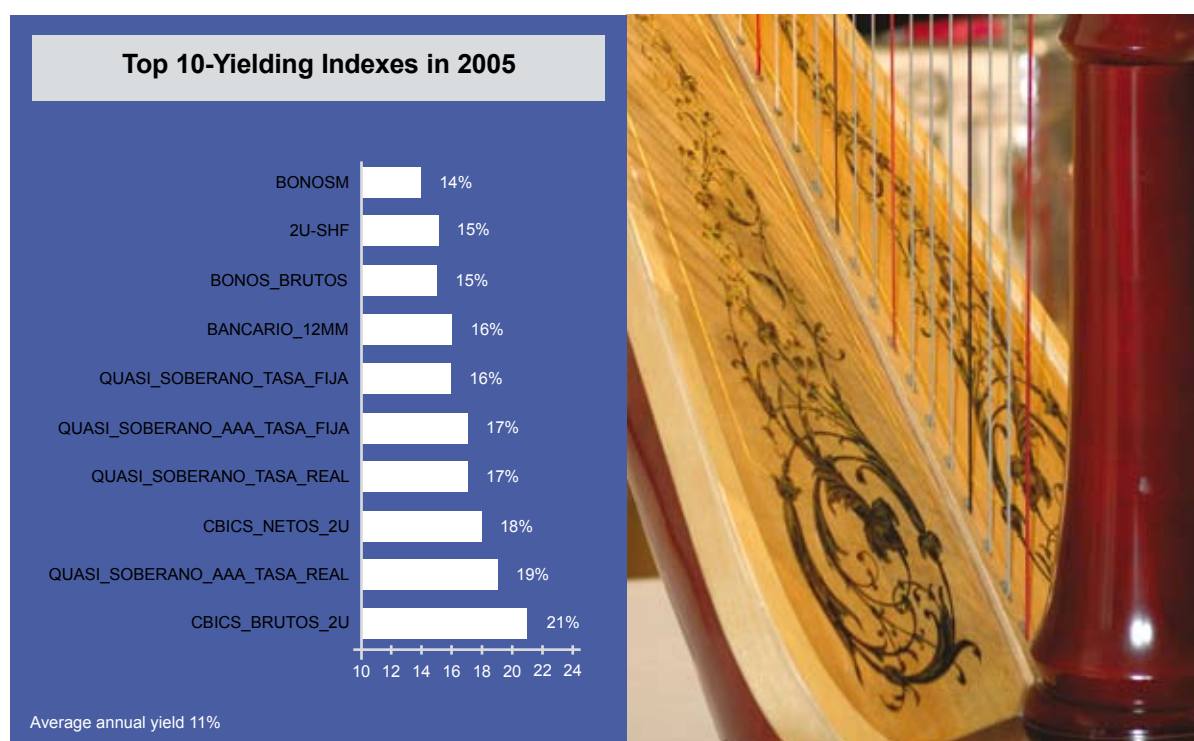
## Quality Certification

In 2005, Quality management System auditors concluded their first follow-up visit with satisfactory results. Valmer also complemented the quality management system with procedural manuals on valuation (31), commercial aspects (6), risks (21), systems (1) and quality (1).

## Quality Policy

Valmer is committed to the strictest international standards of quality in its services, and pursues a continuous process of improvement in close communication and understanding with all levels of the organization. This ensures that its price vector is transparent, up to date, and reliable. It also manages its human and technological resources in a manner consistent with the development of the Mexican financial system.

The Quality Management System developed and applied by Valmer ensures that each activity is carried out correctly and that our services are supplied with the necessary quality and in the right amount of time. This system has been audited by Bureau Veritas Quality International, which certified that it was in accordance with the requirements of the ISO 9001:2000 international standard for this field, and issued certificate number 160601 in November 2004.



## *Vision for 2006*

VALMER is distinguished by its commitment to continually innovating and broadening the range of products and services for its clients, keeping pace with the changes in the overall financial system. With these goals in mind, in 2006 it will be addressing the following priorities:

1. Positioning in the valuation of derivative instruments, taking advantage of Algorithmics technology.
2. Strengthening and positioning risk services for mutual funds and retirement funds.
3. Migration to a new Risk Watch platform (Algo Suite 4.9).
4. Generation of more specialized inputs for risk management areas.
5. Further reducing delivery times for vectors and products.
6. Valmer's committees will work steadily toward the purposes for which they were created, to guarantee a process of continual improvement.

The challenges of today's market require this company to strengthen its operating structures and continually improve the efficiency, transparency and speed of each of its services.

In 2006, we will pursue our global strategy of operating more efficiently, consolidating the products we introduced in 2005, continuing to search for new market niches, and improving our day-to-day relations with clients. Meanwhile, we plan to expand our business through longer-term strategies.

In the field of risk management, we plan to expand this service through a new technology that will allow for outsourcing of services.

Finally, through all these efforts, Valmer intends to distinguish itself from the competition by the quality of its customer service and by its value-added services.



### Bolsa Mexicana de Valores, S.A. de C.V. (The Mexican Stock Exchange)

### Algorithmics Inc.

Founded in 1989, Algorithmics is the renowned leader in corporate risk management. After its acquisition by Grupo Fitch in January 2005, the Fitch Risk Team joined the Algorithmics team.

Algorithmics has become the world's leading provider of enterprise risk management solutions and services that enable financial institutions to effectively understand and manage their financial risk. Algorithmics has over 200 clients, including more than 60 of the 100 largest financial institutions in the world. Algorithmics has one of the largest dedicated enterprise risk management teams in the world, with more than 550 risk professionals, located in 18 offices in key international markets.

The advanced technology of Algorithmics' enterprise suite of risk management solutions helps financial institutions to improve the quality of risk information, meet regulatory requirements, and allocate capital more efficiently. Currently, Algorithmics offers companies solutions to measure and manage market, credit and operational risk as well as collateral and capital management consistently across the banking and trading books, for global banks, insurance firms, asset management firms, pension funds,

corporations, central banks and regulatory agencies, among others.





## *Corporate Officers*

Gerardo Javier Gamboa Ortiz

Alejandro Castro Gallardo

Johanna Sousa Camargo

Miguel Ángel Torres Canseco

María Concepción Delgado Savorio

Salvador Saavedra González

Chief Executive Officer

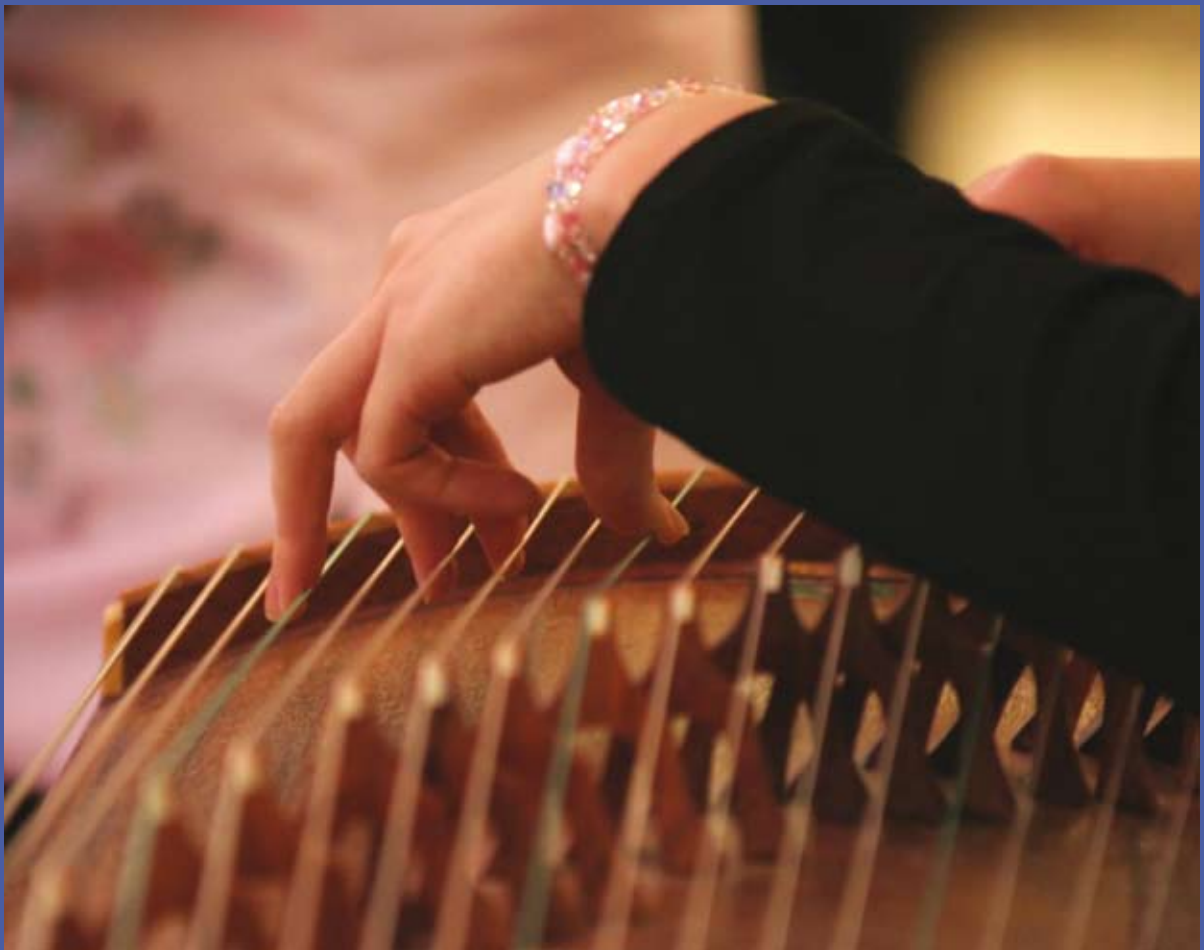
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# Photography

## Cover

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## Introduction

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