

Government Securities Auction Calendar for the Fourth Quarter of 2017

The Ministry of Finance and Public Credit (MoF) announces the government securities auction calendar for the fourth quarter of 2017 that will take effect starting on the first auction of the fourth quarter.

The auction calendar is part of the public debt policy outlined in the Annual Borrowing Plan for 2017 (ABP 2017), which is consistent both with the multi-year fiscal consolidation strategy and the Economic program.

In this context, public debt policy for 2017 is designed to strengthen macroeconomic fundamentals through an efficient public debt management of the Federal Government's debt portfolio. In summary, the Federal Government's public debt policy will follow a proactive and flexible strategy to strengthen public finances.

Among the relevant elements of the public debt strategy for the fourth quarter of 2017 are the following:

1. Government securities auction calendar for the fourth quarter of 2017.
2. Progress in the use of the Central Bank's Operating Surplus (CBOS).
3. Mechanisms for liability management.
4. Modification to the placement mechanism of government securities.

The most important aspects of the Government Securities Auction Calendar for the fourth quarter of 2017 are the following:

Treasury Bills (Cetes)

- The ranges for the amounts of 28 and 91-day Cetes will remain unchanged. The specific amounts to be auctioned each week will be released in the corresponding auction announcements through the Central Bank. The MoF plans to use the flexibility within the range announced for each security in order to address changes arising from the seasonality of the treasury's cash flow.
 - ✓ The 28-day Cetes auctions will be for a minimum of 4,000 and a maximum of 11,000 million pesos. The first auction of the quarter will be for an amount of 7,000 million pesos.
 - ✓ The 91-day Cetes auctions will be for a minimum of 7,000 and a maximum of 14,000 million pesos. The first auction of the quarter will be for an amount of 11,000 million pesos.
- The amount to be issued for 182-day Cetes will remain unchanged at 11,500 million pesos from the previous quarter.
- The amount to be issued for 364-day Cetes will remain unchanged at 12,500 million pesos from the previous quarter.

Fixed-Rate Bonds (Bonos M)

- The amounts to be auctioned of 3, 5, 10, 20 and 30-year Bonos M will remain unchanged at 8,000; 8,000; 8,500; 2,500 and 3,500 million pesos in each auction, respectively.

Inflation-Linked Bonds (Udibonos)

- The amount to be issued for 3, 10 and 30-year Udibonos will remain unchanged at 750, 600 and 400 million udis in each auction, respectively
- The MoF will be able to carry out stripped Udibonos auctions whenever it perceives the adequate demand from investors to acquire this type of securities. In such case, the amount to be auctioned would be released in the corresponding announcement.

Floating Rate Notes (Bondes D)

- The amount to be issued for 5-year Bondes D will remain unchanged at 3,750 million pesos in each auction.

The auctions of Cetes, Bonos M, Udibonos and Bondes D that are to be executed during the fourth quarter will have the following characteristics:

Government Securities Auction Calendar for 4Q-2017 Offered Amounts for each Auction

Instrument	Frequency	3Q-2017	4Q-2017	Difference in each Auction
Cetes (million pesos)				
28-day Cetes	Weekly range	min. 4,000 max. 11,000	min. 4,000 max. 11,000	-
91-day Cetes	Weekly range	min. 7,000 max. 14,000	min. 7,000 max. 14,000	-
182-day Cetes	Weekly	11,500	11,500	-
364-day Cetes	Every 4 weeks	12,500	12,500	-
Bonos M (million pesos)				
3-year Bono M	Every 4 weeks	8,000	8,000	-
5-year Bono M	Every 4 weeks	8,000	8,000	-
10-year Bono M	Every 6 weeks	8,500	8,500	-
20-year Bono M	Every 6 weeks	2,500	2,500	-
30-year Bono M	Every 6 weeks	3,500	3,500	-
Udibonos (million Udis)				
3-year Udibono	Every 4 weeks	750	750	-
10-year Udibono	Every 4 weeks	600	600	-
30-year Udibono	Every 4 weeks	400	400	-
Bondes D (million pesos)				
5-year Bondes D	Every 2 weeks	3,750	3,750	-

Government Securities Auction Calendar for October – December 2017

Date	Fixed Short Term	Fixed Long Term	Inflation-Indexed	Floating
October 3, 2017	28, 91 and 182-day Cetes	5-year Bond Code: M 220609	10-year Udibono Code: S 281130	
October 10, 2017	28, 91, 182 and 364-day Cetes	20-year Bond Code: M 361120	30-year Udibono Code: S 461108	5-year Bondes D
October 17, 2017	28, 91 and 182-day Cetes	3-year Bond Code: M 200611	3-year Udibono Code: S 201210	
October 24, 2017	28, 91 and 182-day Cetes	30-year Bond Code: M 471107		5-year Bondes D
October 30, 2017	28, 91 and 182-day Cetes	5-year Bond Code: M 220609	10-year Udibono Code: S 281130	
November 7, 2017	28, 91, 182 and 364-day Cetes	10-year Bond Code: M 270603	30-year Udibono Code: S 461108	5-year Bondes D
November 14, 2017	28, 91 and 182-day Cetes	3-year Bond Code: M 200611	3-year Udibono Code: S 201210	
November 21, 2017	28, 91 and 182-day Cetes	20-year Bond Code: M 361120		5-year Bondes D
November 28, 2017	28, 91 and 182-day Cetes	5-year Bond Code: M 220609	10-year Udibono Code: S 281130	
December 5, 2017	28, 91, 182 and 364-day Cetes	30-year Bond Code: M 471107	30-year Udibono Code: S 461108	5-year Bondes D
December 11, 2017	28, 91 and 182-day Cetes	3-year Bond Code: M 200611	3-year Udibono Code: S 201210	
December 19, 2017	28, 91 and 182-day Cetes	10-year Bond Code: M 270603		5-year Bondes D
December 26, 2017	28, 91 and 182-day Cetes	5-year Bond Code: M 220609	10-year Udibono Code: S 281130	

IMPORTANT: In case an instrument is auctioned using the syndicated method, the current instrument will be replaced by the new issuance.

Syndicated Auctions

- In the ABP for 2017, the MoF mentioned that it would maintain flexibility to carry out syndicated auctions for new benchmark securities when demand for this type of transaction is perceived. In particular, the MoF mentioned three possible syndicated auctions:
 - ✓ 5-year Bono M;
 - ✓ 30-year Bono M;
 - ✓ 10-year Udibono.
- In the first half of the year, syndicated auctions were carried out for the new **30-year Bono M** and the **10-year Udibono** benchmarks. During the fourth quarter, the MoF will continue monitoring market conditions to evaluate the auction of the new **5-year Bono M benchmark**.
- Additionally, using the flexibility provided in the ABP to adapt the debt program to market conditions, in order to continue improving the debt maturity profile and treasury management, as well as having benchmark bonds that adequately reflect maturity characteristics of the Federal Government's auction calendar, during the fourth quarter the MoF will monitor the market conditions to evaluate the introduction of a new **3-year Bono M benchmark**.

- Finally, amounts placed through syndicated auctions would be in addition to those announced in the quarterly auction calendar. In the case of placing a new benchmark security, the following primary auctions regarding the tenor placed will follow the reopening policy.

Progress in the use of the Central Bank's Operating Surplus

- As part of the strategy for the partial use of the resources corresponding to 70% of the Central Bank's Operating Surplus (CBOS) to reduce the indebtedness of the Federal Government in 2017, the MoF adjusted its auction calendar for the third quarter of 2017.
- For the fourth quarter of 2017 auction calendar, by maintaining the amounts offered at each auction that had already been adjusted for the third quarter, the MoF would be reducing its fourth quarter auction calendar by approximately 5,870 million pesos compared to the auction calendar that would have prevailed in the absence of the CBOS. This will result in a cumulative reduction in the 2017 auction calendar of approximately 11,488 million pesos (5,618 million pesos in 3Q-17 and approximately 5,870 million pesos in 4Q-17).
- The detail of the use of 70% of the CBOS used after the adjustment to the auction calendar for the fourth quarter of 2017 is as follows:

Progress in the Use of CBOS to Reduce Indebtedness of the Federal Government	Amount (million pesos)
Total Amount (70% del CBOS)	225,157
Repurchase Transaction (May 25)	-40,000
3Q Auction Calendar Reduction	-5,618
4Q Auction Calendar Reduction	-5,870
No Additional External Market Debt in 2017	-74,480
Available Resources to reduce Indebtedness of the Federal Government in 2017	99,189

Modifications to the Government Securities Auction calendars regarding the Application of the Central Bank's Operating Surplus

Amounts Offered for each Auction

Instrument	3Q-17 Without CBOS	3Q-17 With CBOS	Difference	Instrument	4Q-17 Without CBOS	4Q-17 With CBOS	Difference
Cetes (million pesos)				Cetes (million pesos)			
28-day Cetes	min. 4,000 max. 11,000	min. 4,000 max. 11,000	-	28-day Cetes	min. 4,000 max. 11,000	min. 4,000 max. 11,000	-
91-day Cetes	min. 7,000 max. 14,000	min. 7,000 max. 14,000	-	91-day Cetes	min. 7,000 max. 14,000	min. 7,000 max. 14,000	-
182-day Cetes	11,500	11,500	-	182-day Cetes	11,500	11,500	-
364-day Cetes	12,500	12,500	-	364-day Cetes	12,500	12,500	-

Bonos a Tasa Nominal Fija (million pesos)			
3-year Bono M	8,500	8,000	-500
5-year Bono M	8,500	8,000	-500
10-year Bono M	8,000	8,500	+500
20-year Bono M	2,000	2,500	+500
30-year Bono M	3,000	3,500	+500

Udibonos (million Udis)			
3-year Udibono	800	750	-50/- 289 million pesos
10-year Udibono	600	600	-
30-year Udibono	400	400	-

Bondes D (million pesos)			
5-year Bondes D	4,500	3,750	-750
Decrease from original calendar ¹			-5,618 million pesos

Bonos a Tasa Nominal Fija (million pesos)			
3-year Bono M	8,500	8,000	-500
5-year Bono M	8,500	8,000	-500
10-year Bono M	8,000	8,500	+500
20-year Bono M	2,000	2,500	+500
30-year Bono M	3,000	3,500	+500

Udibonos (million de Udis)			
3-year Udibono	800	750	-50/- 290 million pesos ²
10-year Udibono	600	600	-
30-year Udibono	400	400	-

Bondes D (million pesos)			
5-year Bondes D	4,500	3,750	-750
Decrease from original calendar ¹			-5,870 million pesos

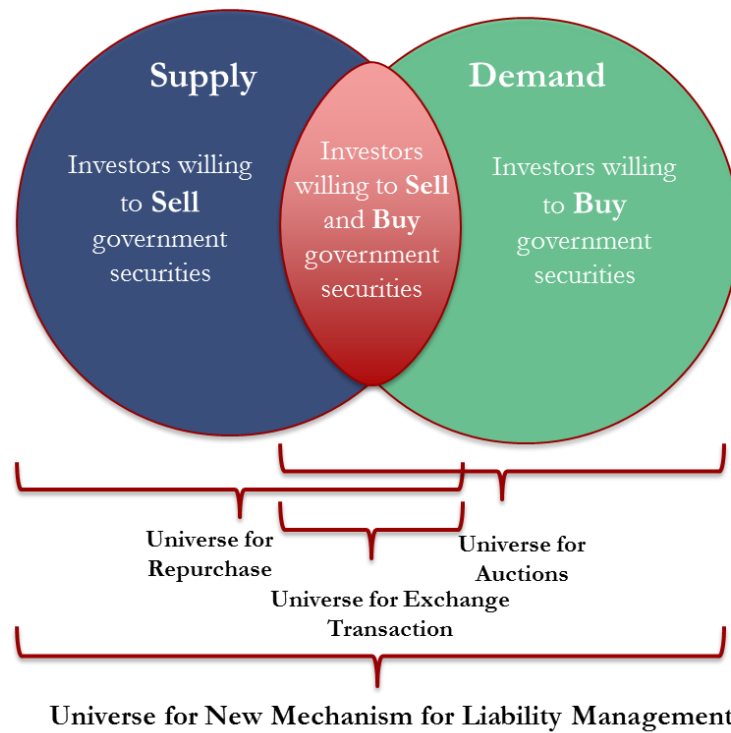
1/ Result of multiplying the number of auctions of each instrument during the third quarter) by the change in the amount issued.

2/ Considering a value of 5.8 MXN per UDI.

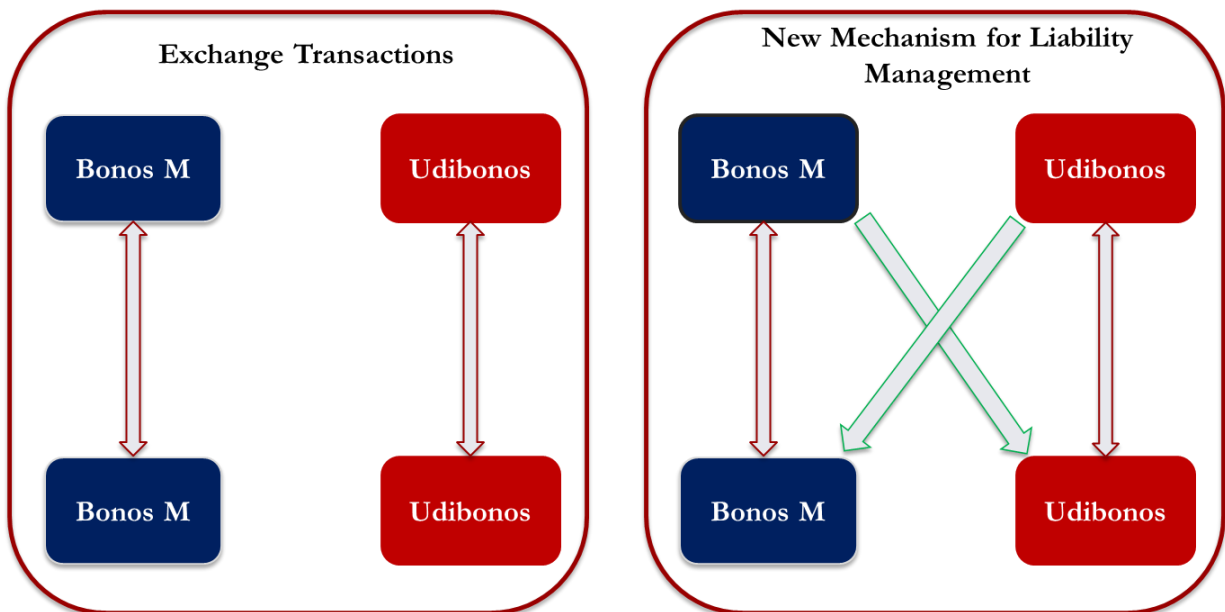
Mechanisms for liability management

- According to ABP 2017, the debt strategy for 2017 includes the execution of liability management transactions to improve the debt maturity profile and increase the efficiency of the Federal Government's debt portfolio. In this regard, the following transactions were carried out during 2017:
 - ✓ **Exchange transactions**: to improve the debt maturity profile, increase the efficiency of the Federal Government's debt portfolio and to strengthen new benchmark securities.
 - ✓ **Repurchase transactions**: as part of the strategy to use the resources from the CBOS to reduce indebtedness.
 - ✓ **New mechanism for liability management**: during the third quarter of 2017, the MoF introduced a new mechanism for liability management. Its main features are described below:
- On September 8, the MoF announced a new mechanism for liability management that seeks to meet the following objectives:
 - ✓ Improve the debt maturity profile of the Federal Government in local currency without incurring in additional indebtedness.
 - ✓ Provide greater flexibility to investors in order to rebalance their investment portfolios, as well as providing greater dynamism for the local debt market.
- This mechanism consists of two consecutive and independent transactions:
 - i. Government securities repurchase auction.
 - ii. Complementary auction of government securities.

This new mechanism for liability management in the local market allows to address the needs of a larger universe of investors with more flexibility.



Additionally, this strategy also provides greater dynamism to the market by giving flexibility to investors involved in liability management transactions and those who pretend to exchange the type of instruments they hold in their portfolios.



- On September 14, the MoF carried out the first transaction using this new liability management mechanism as follows:
 - i. Government securities repurchase auction of Bonos M and Udibonos with maturity in 2017 and 2019 by an equivalent amount of 32,010 million pesos.

- ii. Complementary auction of government securities by an equivalent amount of 32,010 million pesos with maturity between 2020 and 2047.
- Finally, it is worth mentioning that the **complementary auctions of government securities**, recently introduced as part of the new mechanism for liability management, **will not be used in order to carry out additional debt issuance compared to the one mentioned in the government securities auction calendar**, but only as part of the new mechanism to carry out liability management transactions.
- Thus, during the fourth quarter the MoF will evaluate market conditions to carry out liabilities management transactions (exchange transactions, repurchases or the new mechanism described) in order to continue improving the debt maturity profile of the Federal Government.

Modification to the mechanism of placement of government securities

- Starting from the first auction of the fourth quarter of 2017, the MoF will modify the auction mechanics of Cetes in order to solve them at single rate.
- The above, with the purpose of facilitating the participation of investors in these auctions and replicate the auction procedure of Cetes with monetary regulation purposes carried out by the Central Bank.
- For its implementation, the announcements of the auctions will be modified starting from the first auction of the fourth quarter of 2017.