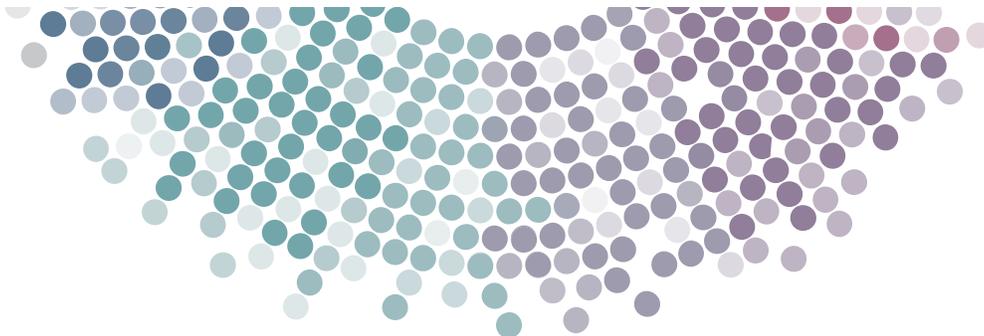


ANNUAL REPORT 2016



COMISIÓN NACIONAL
BANCARIA Y DE VALORES

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ABOUT THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV)

The CNBV is a decentralized body of the Ministry of Finance and Public Credit (SHCP), with powers regarding authorization, regulation, supervision, and sanction over the various sectors and entities that comprise the Mexican Financial System, as well as over natural persons and other legal entities who carry out activities contemplated in the laws related to the financial system.

VISION STATEMENT

To be an efficient, modern, and respected authority that seeks the stability of the Mexican Financial System, in accordance with international best practices, and that contributes to the making of a prosperous Mexico, where each family has access to more and better financial services.

MISSION STATEMENT

To supervise and regulate the entities that are part of the Mexican Financial System, in order to ensure its stability and correct functioning, as well as to maintain and promote the sound and balanced development of such a system as a whole, in order to protect public interests.

VALUES AND PRINCIPLES

Values and principles are of the utmost importance to the CNBV, since they govern the actions that its public officers must perform:

VALUES

- Integrity
- Respect
- Leadership

PRINCIPLES

- Legality
- Loyalty
- Honesty



Jaime González Aguadé
President

MESSAGE FROM THE PRESIDENT

Four years after assuming the commission and the responsibility to lead the CNBV, I endorse the pride of belonging to an institution whose objectives promote a solid, orderly, and efficient financial system that results in more savings and credit opportunities for Mexican families and companies.

At the beginning of the administration, we endeavored to draw a route for the institution, which would lead the actions to be taken in order to reach our goals. Thus, we started with a diagnosis that allowed us to evaluate the way we were performing until that moment, and to identify the opportunities to strengthen our internal workings. Thanks to this effort, we designed the 2014-2018 Strategic Plan, which we review every year to measure our progress and set new challenges.

The discipline to comply with this plan has been reflected in continuous achievements, the results of which translate into benefits for our society. This encourages us to maintain the path of our actions, which give meaning and importance to the efforts undertaken by all of us who are part of this institution.

Four years ago we began to implement the Basel III rules, thus aligning with international best practices. At the same time, we gave normative life to the Financial Reform whose objectives are summarized as more credit at lower costs. We also innovated in the stock market with new instruments that will allow us to focus resources in the priority sectors of the real economy.

On the other hand, in order to meet our objectives more efficiently, we have implemented transformational institutional projects. One of the most relevant, without question, has been the adoption of a risk-

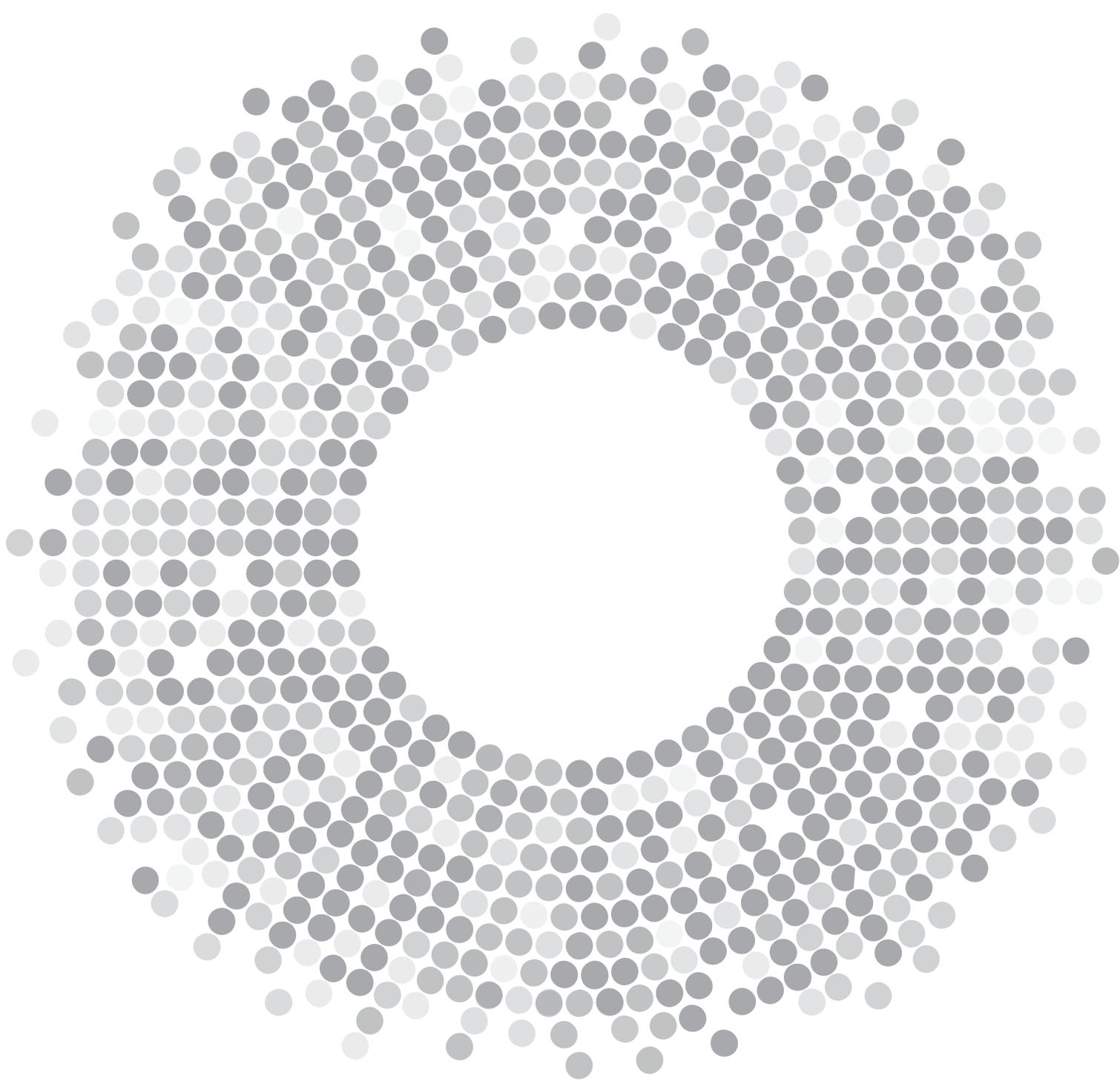
based approach (RBA), which has changed the way in which we focus supervision, and has allowed to detect and act in a timely manner with regards to the operations and entities that represent greater risks for the financial system.

The RBA scheme is designed to be used in all sectors supervised by the CNBV and, in turn, adapts to the different regulations of each one of them. This contributes to the optimization of the resources available to the CNBV, in a context in which our responsibilities have been expanded, both in complexity and in the number of regulated and supervised institutions.

Today, we are facing a constantly evolving international environment, in which the diverse economic sectors incorporate more and more technological innovation. At the CNBV we work every day to successfully join the new trends of the financial sector, adapting our work to its changing and evolving nature, where new techniques, products, and services are constantly emerging. We have achieved this thanks to the commitment and technical and ethical solvency of all the members of our institution.

This document presents the day-to-day work of the CNBV, in an exercise of transparency and accountability to the public. By consulting it, the reader can find the main results of the actions undertaken in 2016, in compliance with our authorization, sanction, supervision and regulation capacities.

I invite you to approach the testimony that is presented on the effort, the achievements, and the contribution of this institution to the proper functioning of the financial markets in Mexico.



EXECUTIVE SUMMARY

This document aims to inform the most relevant results, as well as the main activities carried out by our administrative units during this period. The report contains the following sections:

- **Regulation.** Chapter 1 contains the main topics that were subject to regulation during the year; it highlights the compliance with international standards, financial innovation, and the constant improvement of the regulations. This section presents a summary of the 49 amending resolutions to general provisions issued, applicable to financial institutions and supervised subjects.
- **Supervision.** Chapter 2 describes the progress in the implementation of the RBA in the various sectors, as well as of the Supervisory Technological Platform (PTS). It also presents the inspection and monitoring activities carried out in each of the supervised sectors and their most relevant results. On the other hand, the activities of specialized supervision and in matters of Prevention of Operations with Resources of Illicit Origin and Financing to Terrorism (AML/CTF) that were carried out are presented, as well as those related to the technical support of the supervision processes. In addition, the results of the investigation visits that were carried out are mentioned.
- **Authorization.** Chapter 3 presents the details of the authorizations granted regarding the organization and operation of new entities, corporate restructurings, corporate bylaws and reforms to the constituent regimes, operational and legal aspects of financial entities subject to the supervision and regulation of the CNBV, as well as new issuances of the stock market.
- **Legal issues.** Chapter 4 summarizes the main legal actions in support of the substantive processes of the CNBV, such as the imposition of sanctions, the issuance of offense opinions, the attention to contentious matters, and the process of attention over requirements from judicial, fiscal, or administrative authorities.
- **The CNBV and the link with its environment.** As part of the relationship that the CNBV has with various national and international bodies, chapter 5 lists the main actions related to the CNBV's participation as a member of several international organizations, the signing of cooperation agreements, and the exchange of information with multiple foreign authorities. In terms of financial inclusion, its participation in the issuance of the National Financial Inclusion Policy and the publication of the seventh National Financial Inclusion Report stand out. Finally, this chapter describes the main activities related to economic research studies, reports, and technical notes on topics related to the mandate of the CNBV and the institutional communication of messages and newsletters.
- **Administration.** Chapter 6 details the administrative tasks that support the operation of the CNBV, such as the management of human, material, and financial resources, activities related to information and communication technologies, strategic planning, process management, and compliance with internal control provisions.
- **2017 Challenges.** Chapter 7 presents the priorities of the CNBV during 2017.

2016 MILESTONES

JANUARY - MARCH

- Banco Sabadell and Banco Finterra started operations.
- A cooperation agreement was signed for the supervision of central counterparties and clearing houses between the CNBV and the European Securities and Markets Authority (ESMA).
- The bases of collaboration to inhibit identity theft through the financial system in Mexico were signed.
- The CNBV announced the imposition of sanctions and corrective actions to OHL México, SAB de C.V.

APRIL - JUNE

- The 84th Resolution amending the CUB was published, which establishes the implementation of the countercyclical capital buffer.
- The CNBV released the 7th edition of the National Financial Inclusion Report with updated data for the 2nd quarter of 2015.
- The 12th Resolution amending the CUEACP was published, in which it is sought that SOFIPOS have the capacity to adequately absorb losses, through a new definition of regulatory capital.
- The CNBV announced the commercial banks (IBMs) that were designated by its Governing Board as Domestic Systemically Important Banks.
- Industrial and Commercial Bank of China México (ICBC México) started operations.
- The CNBV released the results of the 2015 National Survey of Financial Inclusion (ENIF).
- The National Council for Financial Inclusion (Conaif), of which the CNBV is part, approved, for the first time in Mexico, a National Financial Inclusion Policy.
- The Second International Financial Inclusion Forum was held.
- The Governing Board of the CNBV authorized the organization and operation of Bank of China México and DBRS Ratings México, Institución Calificadora de Valores. It also authorized the organization and operation of BTG Pactual Gestora de Fondos.
- The CNBV ranked 2nd among the best government institutions to work at on the Great Place to Work (GPTW) survey.



JULY - SEPTEMBER

- The Governing Board of the CNBV authorized the organization and operation of Banco S3 México.
- The Federal Office of the Attorney General (PGR) subscribed to the agreement of adhesion to the bases of collaboration to inhibit identity theft through the financial system in Mexico.
- The 90th Resolution amending the CUB was published, in which various provisions are established in order to facilitate the execution of monetary operations through electronic means.
- Operadora COVAF and Más Fondos started operations.
- The use of the PTS for the realization of visits to all the sectors started.
- The CNBV, the Bank of Mexico (Banxico), and the Commodity Futures Trading Commission (CFTC) of the U.S.A., signed an agreement for cooperation and exchange of information.

OCTOBER - DECEMBER

- Two new certificates were authorized to boost investment in the Mexican stock market: Trust certificates for investment projects (Cerpi) and Infrastructure and Energy Investment Trust (Fibra E).
- Gender and Non-Discrimination Week was carried out.
- The 11th Resolution amending the CUFI was published, which complemented the regulatory framework for investment funds to implement an open architecture in the distribution of these vehicles, perfecting the regime for the creation of two electronic platforms: transactional and of dissemination.
- DBRS Ratings México started operations.
- The CNBV participated in the 9th edition of the National Week of Financial Education (SNEF).
- The 2016 GPTW survey was carried out.
- Modifications were made to the general provisions of various sectors to strengthen controls to verify the good repute and credit and business history of potential shareholders, directors and other relevant executives.



1.

REGULATION

1.1 INTRODUCTION

The CNBV is empowered to issue general provisions, in order to regulate both the entities that are part of the Mexican Financial System (SFM) which fall within its area of competence, as well as natural persons and legal entities which carry out activities provided for in financial legislation. It is also empowered to act as an organ of consultation of the Federal Government in financial matters, as established by applicable regulations.

This section summarizes the main activities carried out in 2016 regarding the issuance of general provisions, amendments, and technical opinions.



1.2 REGULATION ISSUANCE PROCESS

During the current administration, work has been done on the adoption of best practices in order to achieve efficiency on activities to establish the priorities and manage the development of regulatory projects, through the redesign of the regulation issuance process.

The process consists of three stages: the detection of needs and establishment of regulation priorities, the analysis and development of regulatory projects, and the issuance of the provision.



Within the CNBV's efforts to improve the process, its homologation, and efficiency, a software tool is being developed for the management and control of both the

process and the regulatory agenda of the commission. During 2016, the module for the detection and definition of priorities of regulation was released.



1.3 MAIN REGULATED TOPICS

In the course of 2016, the CNBV published 49 amending resolutions to the general provisions applicable to financial entities and supervised entities. Twelve of them were addressed to participants in the stock market sector; ten, to the banking sector; seven, to the entities in the popular savings and loan sector; and the remaining to the promotion entities and bodies, Regulated Multi-Purpose Financing Companies (SOFOM ER), currency exchange offices, and other participants of the financial system.

According to the regulatory policy guidelines established by the CNBV, the regulatory projects published in the Official Gazette of the Federation (DOF) during this period occurred due to a series of aspects of special interest, with emphasis on the following topics:

Compliance with international standards

The mission of the CNBV is to safeguard the stability and integrity of the SFM and to promote its efficiency and inclusive development for the benefit of society. For this, it is critical to update the regulation in order to

keep it aligned with the standards issued by international organizations. One of the priorities of the CNBV is to participate in various instances and working groups within these bodies, with the purpose of stating the national position before the changes in the regulatory standards and of being able to implement them appropriately in the local market.

As a result of these works, the changes in banking matters according to the standards and the calendar issued by the Basel Committee stand out. The issuance of the countercyclical capital buffer was also relevant, with the aim of ensuring that the level of capital of credit institutions is sufficient to better face the risks of an excessive growth in financing to the private sector.

Another important change is the one concerning the disclosure of the bank leverage ratio, which consists of a standardized measurement that should be disclosed quarterly by credit institutions, through which market participants will be able to know the level of leverage held by these credit institutions, and compare it even with that of foreign credit institutions.



Financial innovation

In recent years, the financial system has been characterized by major technological developments and new market niches, for which it has been necessary to keep the regulation updated so as not to needlessly limit the emergence of new products and business opportunities. For this reason, the regulation was modified to accommodate these developments in an orderly and prudent manner.

Therefore, banking provisions that allow the incorporation of more robust security mechanisms in the use of electronic means, promoting the granting of credits, and introducing new products through these means, were issued.

Given the expected growth of the Mexican stock market, several changes were made to the stock market regulation with the purpose of accommodating more than one stock exchange, which implied the revision of the regulations in diverse aspects.

Finally, regarding financial innovation, the changes to the provisions applicable to investment funds stand out, by means of which the regulatory framework necessary to implement the open architecture in the distribution of these vehicles is completed.

Improvement of regulations

In order to keep regulation up to date and ensure that it serves to preserve an orderly financial system, the CNBV makes adjustments and improvements to secondary provisions annually. In 2016, the amendments to the rules applicable to IBMs, brokerage firms, currency exchange offices, investment funds services providers and certain popular savings and loan entities stood out, which strengthen the controls that allow the CNBV to verify the good repute and satisfactory credit and business history of potential shareholders, directors, and other relevant executives.

Also outstanding in this year were several prudential regulations aimed at the popular financial companies (SOFIPO). On the first place, it is worth mentioning the new definition of regulatory capital, which seeks to provide these companies with sufficient capital to meet the risks to which they are exposed as a result of their operation. This capital must be composed of elements that have the capacity to adequately absorb losses.

Next, is the framework for the establishment of the compensation system for the personnel of these

companies, which establishes the form of remuneration to certain employees and executives whose functions are related to the risk taking, so as not to undermine their stability. Likewise, the procedures to be followed in case sensitive information of customers and users of these companies is extracted, lost, or suffers unauthorized access, were established.

On the other hand, exceptions were granted to the regime of banking correspondents so that social service agencies, public trusts, and decentralized bodies subject to the supervision of the CNBV can receive payments of loans granted by banks, without being subject to said regime. This also applies to banks that hire other banks to carry out their operations.

In order to have adequate control over self-regulatory bodies, the provisions establishing an action framework for them were updated, including the requirements to obtain recognition as a self-regulatory body and, in the case of the stock market, the processes to follow in order to grant the certifications provided by the law.

Finally, in order to avoid duplicities and as an administrative ease tool in the event that one or more persons intend to participate directly in the capital stock of certain financial entities belonging to a financial group, as a result of the acquisition of shares of the capital stock of a holding company, it was determined that for the purposes of the corresponding procedure before the CNBV, the information considered relative to the possible shareholders will be that already presented to the SHCP.

Secondary provisions arising from legislative changes

As with the Financial Reform, there have been changes in legislation granting new regulatory powers to the CNBV, and even establishing transitional deadlines for the issuance of secondary provisions. The CNBV issued eleven resolutions in 2016, two of which are highlighted below. The first is derived from the Financial Discipline of States and Municipalities Law, in which the regulation applicable to issuers of securities was modified so that, in case of seeking stock financing, the subjects regulated by said law must reveal a series of elements that show that said financing was the most convenient option for the concerned state or municipality. The second also refers to changes to the provisions of securities issuers. Clarifications were made regarding the quality of independent experts participating in the certification of hydrocarbon reserves, who must be registered in the registry of independent third parties of the National Hydrocarbons Commission (CNH).

49 REGULATIONS ISSUED IN 2016

JANUARY

- 6** Updating of the minimum catalog by the entry into force of the NIF D-3 "Employee Benefits", issued by the CINIF (Financiera Rural, promotion bodies and entities, investment funds, SOCAPs, SOFIPOs, currency exchange offices, SOFOMs, and credit unions).
- 1** Results of the annual review of the internal audit area and document for the development of policies for customer identification and knowledge (Cross-sectoral).
- 1** Presentation of the annual AML training program report (Cross-sectoral).

MARCH

- 1** Rules for block trades (Brokers).

FEBRUARY

- 1** Procedures related to sensitive information and disclosure form for loan portfolio reserves (SOFIPO).
- 1** Recommendations of investment advisors; obligations of clients registration, as well as preservation and disclosure of information; policies for investment and operations, and for managing potential conflicts of interest (Operators of investment funds, investment fund distributors, and investment advisors).

APRIL

- ★** Implementation of the countercyclical capital buffer (Credit Institutions).
- 1** Requirements for the recognition of insurance in agricultural credits (Credit Institutions).
- 1** Capitalization framework (SOFIPO).
- 1** Call for certification in AML (Cross-sectoral).

MAY

- 1** Dissemination of information from issuers participating in contracts or allocations for the exploration and extraction of hydrocarbons (Issuers).
- 1** Regular reporting of orders and assignments (Brokerage firms).
- 1** Adjustments to accounting criteria (Credit unions).
- 1** Requirements for recognition as a self-regulatory body (Self-regulatory bodies).

JUNE

- ★** Establishment of the methodology for calculating the rate of leverage, as well as its disclosure (Credit Institutions).
- 1** Modification to the calendar for certification in AML (Cross-sectoral).
- 1** Modification to the Sanctions Delegatory Agreement, to incorporate the possibility of sanctioning violations to the Law on Transparency and Regulation of Financial Services and of the Federal Income Law.

CLASSIFICATION

- Improvement of regulations
- Compliance with legal obligations
- ▲ Accounting regulation
- ⬡ Financial innovation
- ★ Compliance with international standards

JULY

- 1 Exclusions from the regime relating to the contracting of third parties and commission agents (Credit institutions).
- ★ Adjustment to the transitional regime relating to the calculation of capital requirements for operational risk (Credit institutions).
- 1 Establishment of the compensation system (SOFIPO).
- 1 Call for certification in AML (Cross-sectoral).

AUGUST

- ★ Establishment of the projection period of the internal capital adequacy assessment process; establishment of the corresponding percentages for the formation of the countercyclical capital buffer, within the established period (Credit institutions).

SEPTEMBER

- 5 Use of information sent to the SHCP of potential shareholders for the processing and issuance of the opinion of the CNBV on the acquisition of shares of a holding company (IBMs, brokerage firms, investment funds, SOFIPOs, and SOFOMs).
- 1 Issuance of payment orders through electronic means; file simplification for electronically contracted credits; access to credit for people with no credit history (Credit institutions).
- 1 Modifications to the procedure for obtaining the expert opinion (Currency exchange centers, money transfer companies, and SOFOM ENRs).

OCTOBER

- 1 Modifications derived from the Financial Discipline of States and Municipalities Law (Issuers).

DECEMBER

- 1 Extension of the deadline for the approval of contingency plans; strengthening controls to verify the good repute and satisfying credit history of potential shareholders (IBM).
- ★ CCL calculation through the Look-Back Approach (IBM).
- 4 Strengthening controls to verify the good repute and credit history of potential shareholders (Brokerage firms, investment funds, popular savings and loan entities, integration bodies, SOFINCOs, OIFRs, bonded warehouses, currency exchange offices, credit unions, and SOFOM ENRs).
- 1 Establishment of conditions to list foreign securities in the International Quotation System (SIC); elimination of the figure of Sponsored Financial Institutions; possibility that stock exchanges with their own SIC may negotiate in their systems the securities that another stock exchange has listed in its respective SIC.
- 2 Agreement of suspension of work in the CNBV and issuance of 2017 calendar.
- 1 Publication of the calendar for the AML Certification Process (Cross-sectoral).
- 1 Modification to the Delegate Agreement in order to make the enactment of urgent measures more efficient, by the general directorates of supervision.

NOVEMBER

- 1 Requirements for cancellation of the listing of securities in one exchange and listing in another; requirements for participation in restricted public offerings (Issuers).
- 1 Strengthening of the organization and operation rules to promote the distribution of shares in an open architecture scheme; the rules governing companies that manage electronic mechanisms for the negotiation of fund shares and the disclosure of information were defined; indication of relevant information that should be disclosed periodically to the investing public (Investment funds).
- 1 Call for certification in AML (Cross-sectoral).

Note:
Month of publication in the DOF.



1.4 SUMMARY OF ISSUED REGULATIONS

The following is a summary of the provisions that the CNBV issued during 2016 according to the sector to which they are directed. As a complement to this information, Annex A (Issued Regulation) contains a list of the publication dates of the amending resolutions, general provisions, notices, calls, agreements, and internal regulations issued.

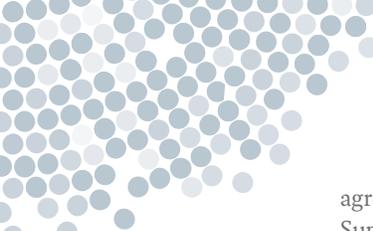
General provisions applicable to credit institutions (CUB)

1. In order to strengthen the financial stability of the banking system as a whole, as well as to strengthen the capital that credit institutions have available, it was established that these entities must have an additional capital buffer when there is an increase in bank credit that does not correspond to the growth of the economy. Said capital buffer, known as countercyclical, is based upon two considerations: the first, related to the charge for operations whose exposure is with entities whose credit risk lies in Mexico; and the second, related to reciprocal acknowledgement, that is to say, it recognizes

the specific capital charge, in that case, by other jurisdictions in which institutions have credit exposure to the private sector.

2. The set of methodological variables used to identify IBMs as Domestic Systemically Important Banks was adjusted, so that only those variables that are directly related to the operations carried out by IBMs are included.
3. The agricultural insurances with which bank creditors are recognized, for the purpose of calculating commercial loan reserves, were recognized, in order to mitigate credit risk in the event of catastrophic events and so that this should be adequately reflected in the building up of preventive reserves.
4. The methodology for calculating the leverage ratio of credit institutions, as well as the obligation to disclose it on a quarterly basis, were established with the aim of strengthening the financial stability of the banking system as a whole, as well as to comply with the





agreements of the Basel Committee on Banking Supervision (BCBS). Through this regulation, it is possible to compare the leverage levels of national institutions with each other and with respect to their foreign analogues.

5. In order for the credit institutions to request the CNBV to exclude the regime related to the contracting of third parties and commission agents, when they hire other credit institutions, social service bodies, public trusts, or decentralized bodies subject to supervision by the CNBV, a procedure was established so that such entities could receive payments of credits. In addition, credit institutions were excluded from the third party and commission agents contracting regime in the field of telecommunications services for the transmission of information, provided they have mechanisms that safeguard the information of their users.
6. An adjustment to the transitional regime relating to the calculation of capital requirements for operational risk was made in order for credit institutions to continue to adapt their procedures and systems necessary to accurately calculate the risks to which they are exposed. In this way, such institutions may choose to calculate the percentages of their capital requirement using, during the transitional period, a different calculation basis according to the tables specified in the regulation itself.
7. The forms of the reports through which the credit institutions send their financial information to the CNBV, as well as the periodicity with which it should be sent, were adjusted in order to have reliable and timely information.
8. The projection period for the internal capital adequacy assessment process that IBMs must submit to the CNBV was specified to match that which they perform according to their own scenarios.
9. Credit institutions will be able to offer their clients a resource dispersion scheme, through ATMs by issuing payment orders, in order to facilitate monetary operations through electronic means.
10. To provide greater security to operations through ATMs and POS terminals, customer identification and confirmation requirements were established and the applicable regime for the integration of credit files was outlined, when consumer and commercial loans are contracted through electronic means.
11. In operations amounting less than 1,500 investment units (udis) and provided that it was the first credit granted by an institution, the credit history research of the clients was excepted in order to facilitate the access to credit to those who do not have said history.
12. The persons who intend to participate indirectly in the capital stock of an IBM belonging to a financial group, in the occasion of the acquisition of shares of the capital stock of a holding company, were granted the option to use the information already presented to the SHCP for the purposes of the procedure that must be carried out before the CNBV, in order to simplify it and avoid duplication. It was also specified that, in the case of indirect participation by natural persons through legal entities in the capital stock of an IBM, the CNBV may request the necessary information to all shareholders of said legal entities.
13. In order to have solid IBMs, managed under the best quality standards, the controls that allow the CNBV to verify the good repute and satisfactory business and credit history of potential shareholders, advisors, and other relevant executives, were strengthened.
14. The deadline for the CNBV to approve the contingency plans presented by credit institutions was extended.
15. For the purpose of calculating the Liquidity Coverage Ratio (CCL) that IBMs should perform, the liquidity risk of transactions with derivatives held by the institutions was more precisely recognized, calculated according to the method known as contingent cash outflow on transactions with derivative financial instruments (also known in the global market as Look-Back Approach), so that these institutions can maintain a certain level of liquid assets in accordance with their guarantee requirements and business model practices.



General provisions applicable to promotion bodies and entities (CUOEF)

1. As part of the adjustments in matters of accounting regulation, given the entry into force of the Financial Reporting Standard (NIF) D-3 Employee benefits, issued by the Mexican Board of Financial Reporting Standards (Cinif), adjustments were made to the reporting forms that the Institute of National Housing Fund for Workers (Infonavit), the Housing Fund of the Institute of Social Security and Services of the Workers of the State (Fovissste), the Institute for the National Fund for Employee Consumption (Infonacot), as well as the public trusts that comprise the financial system, shall send to the CNBV. These adjustments were made in order to include items, concepts or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.

General provisions on information requirements and prudential and accounting matters applicable to the National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development (FND)

1. As part of the modifications in accounting regulation, given the entry into force of NIF D-3 Employee Benefits issued by the Cinif, adjustments were made to the information reporting forms that the FND sends to the CNBV. These adjustments were made in order to include items, concepts, or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.

General provisions applicable to securities issuers and other market participants (CUE)

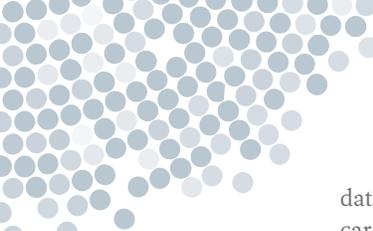
1. Regarding information disclosure, clarifications that the issuers participating in contracts or assignments for the exploration and extraction of hydrocarbons should address were made. With such specifications, it is clarified that independent experts participating in the certification of reserves must be registered in the registry of independent third parties, carried out by the CNH, and that all information regarding the disclosure of economic interests in cash and volume should be divulged in an aggregate form. All of this in order to facilitate compliance

with the provisions, safeguarding the proper disclosure of information to the investing public.

2. In order to ensure that the issuers have sufficient time to prepare and submit the information referred to in Annex N Ter, concerning the economic interests in contracts and allocations to be disclosed by the issuers participating in productive hydrocarbon activities, it was established that such information must be submitted for the first time beginning on year 2017.
3. The information to be included in the placement prospectus was adjusted, in order to establish disclosure requirements regarding the expenses related to the offering of the securities to be issued, which the public entities referred to in the Financial Discipline of States and Municipalities Law must abide by.
4. When there is more than one stock exchange, the requirements for the cancellation of the list of securities in one of them were established, so that the issuers can list them in another, without canceling their registration in the National Securities Registry (RNV). Likewise, certain listing and maintenance requirements for securities were softened, to promote the placement of capital instruments of major issuers, reducing the minimum percentage of social capital to be initially placed among the large investing public, as well as the minimum number of investors. Lastly, the requirements for investors to be considered eligible to participate in a restricted public offering were specified, the recurring issuer scheme was simplified, and the restriction for Infrastructure and Real Estate Trust Funds (Fibras) to be placed exclusively through restricted public offerings was removed.

General provisions applicable to brokerage firms (CUCB)

1. The list of orders and assignments of transactions with securities, registered in their receiving and assignment systems, was added to the information that brokerage firms must send to the CNBV periodically in order to have the necessary information to carry out its functions. For that matter, brokerage firms were required to report on a daily basis the information related to the assignments, on the



date of settlement of securities transactions carried out on the electronic trading systems of the stock exchanges.

2. Those persons who intend to participate indirectly in the capital stock of a brokerage firm belonging to a financial group, as a result of the acquisition of shares of the capital stock of a holding company, were granted the opportunity to use the information already presented to the SHCP for the purposes of the procedure that must be carried out before the CNBV, in order to simplify it and avoid duplication. It was also pointed out that, in the case of indirect participation of natural persons through legal entities in the capital stock of brokerage firms, the CNBV may request the necessary information from all the shareholders of said legal entities.
3. In order to have solid brokerage firms managed under the best quality standards, the controls that allow the CNBV to verify the good repute and satisfactory business and credit history of potential shareholders, directors and other relevant officers were strengthened.

General provisions applicable to investment funds and to individuals that provide services to them (CUFI)

1. As part of the adjustments in accounting regulation given the entry into force of NIF D-3 Employee Benefits issued by the Cinif, adjustments were made to the information reporting forms that the companies managing investment funds, the distributing companies of investment fund shares, the financial entities providing distribution services for investment fund shares, and the appraising companies for investment fund shares send to the CNBV. These adjustments were made in order to include items, concepts or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.
2. Those persons who intend to participate indirectly in the capital stock of an investment management company, a distributing company of investment fund shares or an appraising company for investment fund shares belonging to a financial group, as a result of the acquisition of shares of the capital stock of a controlling

company, were given the opportunity to use the information already presented to the SHCP for the purposes of the procedure to be carried out before the CNBV, in order to simplify it and avoid duplication. It was also pointed out that, in the case of indirect participation of natural persons through legal entities in the capital stock of an investment management company, a distributing company of investment fund shares or an appraising company for investment fund shares, the CNBV may request the necessary information from all the shareholders of said legal entities.

3. The organization and operation rules that promote the distribution of investment fund shares in an open architecture scheme were strengthened. Such scheme seeks that investment fund managers do not restrict the purchase or sale of investment fund shares to specific customers or distributors, or exhibit discriminatory behavior otherwise. In this context, the rules governing companies that manage electronic mechanisms for trading funds' shares and disclosure of information were strengthened, the corporate management of these companies was strengthened, and authorization and operating requirements were established.
4. In order to guarantee the open architecture scheme in a non-discriminatory framework, contractual aspects of the relationship between the companies managing investment funds and the companies or entities providing distribution services for investment fund shares were regulated; additionally, some aspects related to the differentiation of commissions were also regulated.
5. Clarifications were made to the relevant information of investment funds and service providers that should be disclosed to the investing public periodically. Adjustments were also made to the regulations related to the demerger of funds, in the face of disorderly conditions or high volatility in the markets, or when the characteristics of their assets subject to investment present problems of liquidity or valuation.
6. In order to have solid companies managing investment funds, distributing companies of investment fund shares, appraising companies

for investment fund shares, and companies that manage electronic mechanisms for trading investment companies' shares or information disclosure, that can be managed under the best quality standards, the controls that allow the CNBV to verify the good repute and satisfactory business and credit history of potential shareholders, directors and other relevant officers were strengthened.

General provisions applicable to Savings and Loan Cooperatives (CUSOCAP)

1. As part of the adjustments in accounting regulation given the entry into force of the NIF D-3 Employee Benefits issued by the Cinif, adjustments were made to the information reporting forms that Savings and Loan Cooperatives (SOCAP) with Operation Levels I to IV send to the CNBV. These adjustments were made in order to include items, concepts, or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.

General provisions applicable to popular savings and loan entities, integration bodies, community financial companies and rural financing integration bodies, to which the Law on Popular Savings and Loan (CUEACP) refers

1. As part of the adjustments in accounting regulation, given the entry into force of NIF D-3 Employee Benefits issued by the Cinif, adjustments were made to the information reporting forms that SOFIPOs, the states, level I to IV community partnerships, and the rural financing integration bodies (OIFRs) send to the CNBV. These adjustments were made in order to include items, concepts, or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.
2. The appropriate courses of action to be followed in the event that sensitive information of the clients and users of the popular financial companies is extracted, lost, or suffers unauthorized access were established, in order to preserve their integrity and confidentiality.
3. The format for the disclosure of the constituted reserves amount, derived from the rating of the SOFIPO loan portfolio, was updated (see

Annex G of the 11th resolution that amends the CUEACP).

4. In view of the particularities of this sector, the current regulatory capital definition applicable to SOFIPOs was adjusted to strengthen its solvency and its consistency with that established in the Basel II framework, anticipating the way in which its net capital will be integrated. Also worth mentioning, is the incorporation of a series of deductions that allow to assure that the capital that these companies have is actually able to absorb losses.
5. A system of corrective measures applicable to SOFIPOs, correlated to their level of capitalization, was included to detect missing capital in a timely manner, and to dictate the measures that will allow them to restore it.
6. The obligation of SOFIPOs to have a system that determines the policies and procedures for the payment of the ordinary and extraordinary compensation of their employees or personnel who hold any position, mandate, commission or any other legal title that SOFIPOs have granted them for the execution of their operations, was established with the objective of aligning the risks that said persons assume by acting on behalf of said companies and with the general public, with the actual or potential risks that these are willing to assume or are prepared to face.
7. Those persons who intend to participate indirectly in the capital stock of a SOFIPO belonging to a financial group, as a result of the acquisition of a holding company's capital stock shares, were granted the opportunity to use the information already submitted to the SHCP, for the purposes of the procedure to be carried out before the CNBV, in order to simplify it and avoid duplication. It was also pointed out that, in the case of indirect participation of natural persons through legal entities in the SOFIPOs' capital stock, the CNBV may request the necessary information from all shareholders of said legal entities.
8. In order to have solid SOFIPOs, managed under the best quality standards, the controls that allow the CNBV to verify the good repute and satisfactory business and credit history of the possible shareholders were strengthened.

General provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies (CUIFE)

1. As part of the adjustments in accounting regulation given the entry into force of NIF D-3 Employee Benefits issued by the Cinif, adjustments were made to the information reporting forms sent to the CNBV by the currency exchange offices, credit unions and SOFOM ERs. These adjustments were made in order to include items, concepts or levels in accordance with the new standard, in addition to establishing the deadlines in which they should be presented.
2. Adjustments were made to the accounting criteria applicable to credit unions, in order to ensure that the information generated is transparent, consistent and comparable, and that it complies with national and international accounting requirements.
3. In the case of restructurings, renewals and assignments of receivables that are past due at the date of the appraisal, in accordance with accounting criteria, it was established that credit unions must provide as an initial grade, for the purposes of calculating their loan risks estimates, C-2 risk level at least, which may be modified when there is evidence of sustained payment, in accordance with criterion B-5 Credit portfolio contained in Annex 4 of the 17th resolution that modifies the CUIFE.
4. Those persons intending to participate indirectly in the capital stock of a SOFOM ER belonging to a financial group, as a result of the acquisition of shares in the capital stock of a holding company, were granted the opportunity to use the information already presented to the SHCP for the purposes of the procedure that must be carried out before the CNBV, in order to simplify it and avoid duplication. It was also pointed out that, in the case of the indirect participation of natural persons through legal entities in the SOFOM ERs, the CNBV may request the necessary information from all shareholders of said legal entities.
5. In order to have solid credit unions, managed under the best quality standards, the controls that allow the CNBV to verify the good reputation and satisfactory business and credit history of the potential shareholders were strengthened. SOFOM ERs were also required to provide information of their potential shareholders, directors and other relevant officers.



General provisions for the obtention of expert opinions of the currency exchange centers, money transfer companies and non-regulated multi-purpose financing companies (SOFOM ENR)

1. In order to streamline and optimize the procedure for obtaining and renewing the expert opinion on AML/CTF, the deadline for the CNBV to issue the corresponding resolution was reduced from 60 to 50 calendar days.
2. The obligation for currency exchange centers, money transfer companies, and SOFOM ENRs to submit together with the expert opinion renewal request the proof of payment of fees for the inspection and monitoring services provided by the CNBV, corresponding to the three previous fiscal years, as well as the obligation of the CNBV to take into account the audit report, were eliminated.

General provisions applicable to financial entities and other investment service providers

1. According to the adjustment made to the regime applicable to investment advisors, they may make general recommendations on certain securities, governmental or investment fund shares, among others, as part of the advised investment services, as long as they do not provide elements of opinion or value judgments of such securities.
2. The content of certain obligations related to the registration of clients and the preservation and the disclosure of information to them, was adjusted, allowing the use of logs when making recommendations or providing information verbally or by telephone, and the assumptions that could cause a conflict of interest were expressly established.
3. A special regime was established which is applicable to financial entities or investment advisors that provide investment management services for indexed trust certificate issuers (CBFs) that do not seek returns greater than the index, financial asset, or benchmark explicitly, or CBFs whose main purpose is the investment in securities and whose equity is invested mainly in securities. These entities must have investment and operating policies, as well as policies for the management of potential conflicts of interest. The obligation to analyze

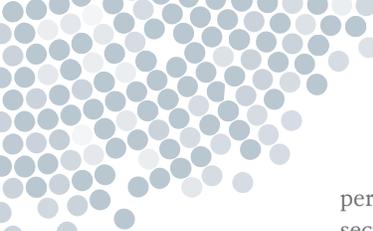
and assess the result of the management of the trust, and to dictate the necessary measures to comply with the placement prospectus of the certificates, was also established.

General provisions applicable to companies that manage systems to facilitate operations with securities (brokers)

1. Rules were established for the so-called block trades, which are brokered through companies that manage systems to facilitate operations with securities. In practice, the size of this operations is significant and they are carried out at different price levels than the market's, so it is necessary to give them a special treatment that allows deferring the disclosure of the corresponding information, with the aim of promoting adequate pricing, market transparency, and operational efficiency. It was established that the CNBV will determine the amounts for an operation to be considered as a block trade, as well as the maximum deviation of the positions in force or of the purchase and sale reference prices that this type of operations may have. Once these parameters have been outlined, the companies must be notified and the information must be made public through the CNBV website.
2. The period in which the regulatory comptroller of these companies must submit their reports to the CNBV was established; they were also required to have systems that generate audit trails, and the way in which they should report to price providers when the information disclosed through the systems they manage contains errors or omissions was determined.

General provisions applicable to self-regulatory bodies recognized by the CNBV

1. In the regulation scope, trade associations or guilds referred to by the Law on Credit Institutions (LIC) and the Law on Popular Savings and Loans (LACP) were included, in addition to those referred to in the Law on Securities Market (LMV), so that they can obtain recognition as self-regulatory bodies by the CNBV, and the corresponding requirements were defined.
2. The rules that should govern the authorization process to grant certifications to the



personnel working in intermediaries of the securities market for self-regulatory bodies of intermediaries of the securities market or investment advisors, were established.

General provisions applicable to international quotation systems

1. The conditions for listing foreign securities in the international quotation system established by stock exchanges were specified, taking into account the characteristics of the securities themselves and whether they are regulated in the original market under the LMV. Additionally, the assumptions for the cancellation and suspension of securities in said listings were established, considering the events that arise in the markets where they are originally quoted. Likewise, the assumptions by which the CNBV may declare the recognition granted to foreign securities invalid, were foreseen.
2. The concept of sponsoring financial entities was removed, by allowing any brokerage firm or credit institution to request the listing of such securities, subject to the provisions and to the internal regulation of each stock exchange. The disclosure obligations previously assumed by the aforementioned entities should now be performed directly by the stock exchanges that have listed such securities.
3. Given the possibility that more than one stock exchange exists, it was allowed that those with their own international quotation system can trade in their systems the securities listed by other stock exchanges in their respective systems.

Cross-sectoral provisions

Notice disclosing the means by which the results of the annual review by the internal audit area, or by an independent external auditor, should be presented; as well as the document in which they should develop the identification and knowledge of customers and users' policies; and the internal criteria, measures, and procedures to be implemented in order to comply with the applicable general provisions or their modifications

1. Bonded warehouses, investment advisors, brokerage firms, currency exchange offices,

currency exchange centers, credit institutions, OIFRs, SOCAPs, distributing companies of investment fund shares, community financial companies (SOFINCOs), SOFOM ERs and SOFOM ENRs, SOFIPOs, companies managing investment funds, money transfer companies, credit unions and the FND, were informed of the means by which the internal audit area, or the independent external auditor, should report the results of the annual review, as well as the document in which they should develop the identification and knowledge of customers and users policies, and the internal criteria, measures, and procedures to be implemented, in order to comply with the provisions corresponding to each supervised party regarding AML/CTF.

Agreement disclosing the official form to report training courses on AML/CTF

1. The electronic means and the official form through which the annual program for training courses on prevention and detection of acts, omissions or transactions that could give rise to the cases provided for in articles 139 Quater or 400 Bis of the Federal Criminal Code, including those imparted in the immediately preceding year, should be reported to the CNBV on behalf of bonded warehouses, investment advisors, brokerage firms, currency exchange offices, currency exchange centers, credit institutions, SOCAPs, SOFOM ERs and SOFOM ENRs, SOFIPOs, SOFINCOs, OIFRs, distributing companies of investment fund shares, companies managing investment funds, money transfer companies, credit unions and the FND, were disclosed.

Call for certification on AML/CTF

1. Three calls were carried out for the certification on AML/CTF, disclosing the conditions for the certification process for compliance officers, independent external auditors, internal auditors and other professionals providing services in companies managing investment funds, distributing companies of investment fund shares, currency exchange centers, money transfer companies, SOFOM ENRs, the FND, as well as for the independent external auditors, internal auditors and other professionals providing services to the CNBV when hired by said entity.

Agreement disclosing the calendar to begin the AML/CTF certification process for independent external auditors, internal auditors, compliance officers, representatives and other professionals

1. The dates for independent external auditors to carry out the AML/CTF certification process were specified, expressly including internal auditors and representatives.
2. In order to provide sufficient time for independent external and internal auditors to carry out the process, the deadline for the certification on AML/CTF was modified.

Agreement disclosing the dates in which the CNBV will suspend its business activities regarding proceedings or administrative procedures

1. The days on which the CNBV will suspend its work activities for the proceedings or administrative procedures to be held or which must be held before the commission itself were announced.

General provisions stating the dates in 2017 in which financial entities subject to CNBV's supervision must close their doors and suspend operations

1. The dates in which entities subject to CNBV's supervision are expected to close their doors

and suspend their operations and provision of services in the Mexican Republic during 2017 were notified.

Internal regulation

Agreement by which the Board of Governors of the CNBV delegates the authority to impose administrative sanctions to the President, the Legal Vice-President, the General Director of Offenses and Sanctions, and the Assistant General Directors of Administrative Sanctions A, B and C of the CNBV

1. The opportunity for the public officers mentioned in the Agreement to impose sanctions for violations of the Law for Transparency and Regulation of Financial Services and the Federal Income Law for fiscal year 2016, was added.

Agreement by which the President of the National Banking and Securities Commission delegates powers to the Vice-Presidents, General Directors and Assistant General Directors of the CNBV

1. In order for the general directorates of supervision to dictate measures of enforcement more efficiently, various adjustments were made to the internal regulation applicable to the CNBV.





1.5 REGULATION ISSUED WITH RULING FROM THE CNBV

The CNBV issued favorable opinion to the National Retirement Savings System Commission (Consar), regarding the project of amendments to the general provisions that establish

the investment regime to which the investment companies specialized in retirement funds must be subject.





2.

SUPERVISION

2.1 INTRODUCTION

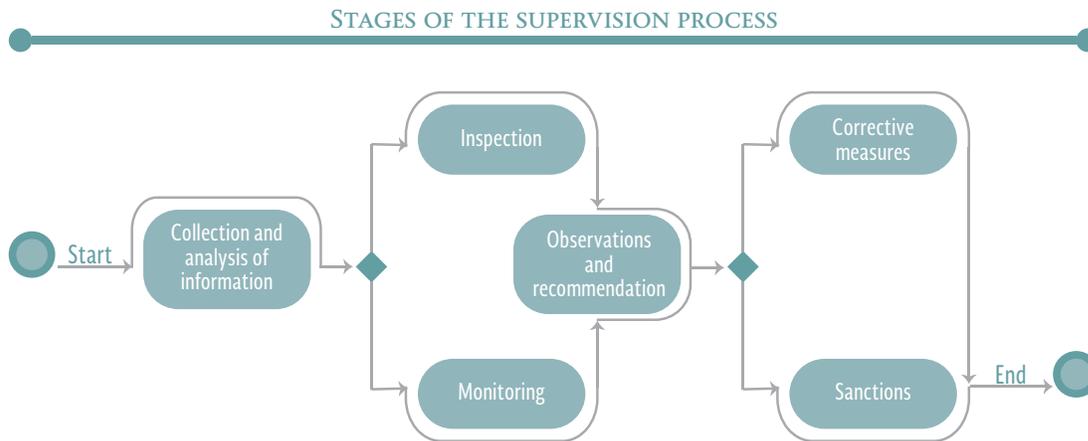
The supervision of the entities and natural persons, which are members of the SFM, is a substantive role of the CNBV, within the scope of its competence. It is a fundamental tool to ensure the stability of the system and promote its healthy operation. By making improvements to its methodologies and processes, in addition to the development of technological tools that support their execution, supervision is intended to become increasingly effective and efficient.

In the following sections, the most relevant topics and activities of 2016 are highlighted, same which stand out because of the effort and resources that the CNBV has devoted to supervisory activities, through an explanation of the supervision process in its continuous improvement, the situation of the supervised entities, and the most important initiatives that have strengthened such process. Finally, the tasks of substantive, specialized and support supervision, money laundering, market behavior, and research visits are followed up.

2.2 SUPERVISION PROCESS

In this administration, the commission has made an important effort to integrate and carry out in a more homogeneous manner the various supervisory activities through a single process called the Comprehensive Supervision Process. This process entails six stages that consist of: collection

and analysis of information, inspection activities, monitoring activities, prevention and correction based on the issuance of observations and recommendations, imposition of corrective measures and, finally, the imposition of sanctions.



As part of the CNBV's efforts to improve supervision, which affect the standardization and efficiency of the

process, the progress made in the implementation of the RBA and the PTS is highlighted.

2.3 ENTITIES SUPERVISED BY THE CNBV

At year-end 2016, the CNBV supervised 4,981 entities grouped into 70 legal figures. From this statistical population, 2,170 entities were subject to the comprehensive supervision of the CNBV, while 2,811 were subject to supervision in matters of AML/CTF exclusively.¹

The composition of the SFM sectors is dynamic. In fact, as of December 31st, 2016, 167 entities were recorded within the CNBV's scope of supervision in addition to those registered at the close of 2015. The updated information on the supervised entities can be consulted on the CNBV's website, through the Supervised Entities Registry (PES).

1/ Currency exchange centers, money transfer companies and SOFOM ENRs subject to supervision exclusively regarding compliance of the provisions referred to in article 95 bis of the General Law on Auxiliary Credit Activities and Organizations (LGOAAC) and the resulting general provisions.

| Sector | Entidades en operación |
|--|------------------------|
| Entities supervised in a comprehensive manner | 2,170 |
| Holding companies of financial groups | 23 |
| IBMs | 47 |
| Development banks and promotion entities | 16 |
| SOFOM ERs | 50 |
| Auxiliary Credit Activities and Organizations (OAACs) | 26 |
| Credit unions | 90 |
| SOCAPs | 152 |
| SOFIPOs | 43 |
| Other entities of the popular savings and loan sector | 7 |
| Brokerage firms | 36 |
| Investment funds | 700 |
| Securities rating agencies | 7 |
| Issuers | 585 |
| Stock exchanges and derivative exchanges | 2 |
| Central counterparties | 2 |
| Institutions for the deposit of securities | 1 |
| Other participants of the securities and derivatives markets | 70 |
| Participants in relevant payment system networks | 118 |
| Credit Information Bureaus (SICs) | 3 |
| Investment advisors | 76 |
| Other supervised entities | 116 |
| Entities subject to supervision in matters of AML/CTF exclusively | 2,811 |
| SOFOM ENRs ¹ | 1,503 |
| Currency exchange centers | 1,258 |
| Money transfer companies | 50 |
| Total | 4,981 |

1/ The number of SOFOM ENRs supervised by the CNBV was determined based on the information displayed on the National Commission for the Protection of Users of Financial Services (Condusef) website, regarding entities that renewed or created registrations, in accordance with the LGOACC. This figure differs from that contained in Condusef's Financial Service Providers Registration System (Sipres), which is currently in the process of removing entities based on registration cancellations.



2.4 RELEVANT ISSUES OF THE YEAR

Assessment of the capital adequacy of commercial banks

As part of the strengthening of the regulatory framework applicable to commercial banks (IBMs), and in order to ensure that they have an appropriate level of capital in relation to their desired risk profile, as well as strategies to maintain capital levels within

that profile, the IBMs conducted the first internal capital adequacy assessment process under internal scenarios (ESC (EI)) during 2016.

The CNBV joined the assessment exercise from its initial design, to ensure compliance with regulatory requirements. As a result, various recommendations and adjustments were issued to the IBMs, with the aim



of strengthening the design of the ESC (EI). Among the reviewed aspects, the following stand out:

- IBMs should consider their desired risk profile, their operating environment, their economic cycle and the liquidity of the markets in which they operate.
- The evaluation of the participation and involvement of the administrative bodies and units responsible for the comprehensive management of risks.
- ESC (EI) policies as clear guidelines on the objectives, lineaments and necessary actions to maintain the level of capital according to their desired risk profile, their internal control systems and the business cycles in which they operate.
- Criteria for defining ESC (EI) should consider scenarios in which adverse economic and stress conditions prevail, in order to identify the risks and vulnerabilities to which they may be exposed.

During the second half of 2016, the IBMs officially delivered the result of the ESC (EI). The CNBV assessed the reasonableness of the information, the consistency of the financial projections in the different scenarios with the IBM's risk profile, and, where necessary, the consideration of strategies and alternative sources of capital to maintain the appropriate capital level in relation to their desired risk profile.

In order to achieve a homogeneous analysis of the ESC (EI), the CNBV used a scenario-based financial planning tool, which allowed to assess the feasibility of the financial projections and to have a better understanding of the vulnerabilities and impacts on the financial statements in the different scenarios, as well as knowing the main threats and strengths of the IBMs.

Once the analysis of the ESC (EI) was finished, the results were presented to the IBMs in order to raise their awareness regarding the viability and consistency of the modeled scenarios, as well as the detected risks and vulnerabilities.

In general terms, the documentation supporting the internal management of solvency risk was considered acceptable. However, a few areas of opportunity were identified in some IBMs in relation to the lack of alignment between the exercise and the desired risk profile, deficiencies in the definition of objectives, guidelines, and necessary actions to maintain capital according to that profile, and to the fact that some of them did not specify the vulnerabilities that would put solvency at risk. These areas of opportunity were made known to the involved institutions, for their correction.

It was also found that five IBMs presented vulnerabilities in the ESC (EI) and require capital contributions. In addition, four other IBMs have to submit capitalization plans, given their expansion plans and, in one case, their business refocus.

IBM's contingency plans in case of adverse scenarios

Contingency plans defined by IBMs in the face of adverse scenarios must be annually submitted for the approval of the CNBV during the month of March. The CNBV determines whether such plans comply with the requirements of the law and the provisions, and whether they are adequate to restore the financial situation of the IBMs in case of adverse scenarios, thus avoiding systemic risks that could affect the solvency or liquidity of the SFM as a whole.

During 2016, all the contingency plans of the IBMs were evaluated. For this purpose, the SHCP, Banxico, and the Institute for the Protection of Bank Savings (IPAB) provided their coordination and opinion. The evaluation consisted of the following:

- In the first instance, the evaluation of the applicability of the contingency plan, considering at all times the involvement of the corresponding governing bodies, the authorized officials and the areas of monitoring and control necessary for the development, execution and follow-up of the plan. The internal approval processes, the incorporation of the aforementioned plan with the comprehensive risk management, the disclosure of the activation of said processes, and the notification to the authorities, were also reviewed at this point.
- Verification of the description of their main lines of business, service contracts, commissions, relevant systems, participation in the payment system, as well as the sources and uses of the entity's financing and its relevant customers, among others. In the case that they were members of a financial group, the scope covered the identification of the relevant agreements, the exposures, and the measures that will be taken if any entity in their financial group goes bankrupt or presents problems of capital or liquidity.
- In order to monitor the financial situation of the institution, as well as the thresholds and recovery actions in case of facing any

of the proposed scenarios, the quantitative and qualitative indicators of solvency and liquidity were assessed. The congruence of the contingency plan with the business continuity and contingency financing plans was taken into account, and the feasibility of each recovery action was evaluated, taking into account the time and cost of its implementation, the necessary legal documentation, the execution risks and the effect of their application on solvency and liquidity, among others.

Based on the observations made, the entities have strengthened and improved their contingency plans so that the proposed activities are feasible and measurable regarding their effect, while ensuring that these plans are consistent with the desired risk profiles, the risk management of the entities, and other plans regarding business continuity and financial contingency.

Implementation of the liquidity coverage ratio (CCL) in all credit institutions

The introduction of elements such as the CCL contributes to maintaining and promoting the sound and balanced development of the banking system as a whole, protecting the interests of the public and ensuring an adequate level of liquid assets to meet obligations under stress conditions. The general provisions on liquidity requirements for the IBMs² are aligned with the requirements established by the BCBS, and provide for institutions to maintain free-disposal liquid assets of high credit quality to meet their obligations and liquidity needs during a 30-day stress scenario.

In 2016, it was made sure that all credit institutions implemented the CCL management framework with the aim of detecting liquidity difficulties in the banking system through various activities, including:

- The verification of the appropriate calculation of liquid assets, and cash inflows and outflows.
- The existence and analysis of their policies for the proper classification of inputs.
- The permanent monitoring of the information reported monthly to the CNBV.

2/ The Second Amendment to the Liquidity Requirements, published in the DOF on December 28th, 2016, modified these provisions with the following changes standing out: as of January 1st, 2017, the daily calculation of the CCL is included, although some considerations that represent a facility or option for those banks that are not yet in a position to update daily all the concepts of the liquidity management form are established, which can be applied until September 2017, since, starting in October, banks must report all items on a daily basis. Also included is the determination of the contingent outflow for operations with derivative financial instruments (Look-Back Approach), which will come into force in July 2017, although it may be adopted starting January 2017, presenting a notice in advance. This amendment seeks to standardize the calculation of this concept in accordance with the Basel standard, with slight adjustments necessary to reflect that guarantees are not exchanged in all derivatives transactions. These amendments entered into force on January 1st, 2017.

- The review of the calculation and compliance process in the inspection visits.

As a result of the revision, the risks and errors that were corrected in the normal course of operations of the credit institutions were detected. Some of the inconsistencies covered issues such as the inadequate classification of cash inflows and outflows, deficiencies in the instrumentation of the methodology used to determine the amount of deposits for transactional purposes, deficiencies in information systems and inputs, as well as in the validation of information and even in the proper use of the exchange rate within the calculation, in addition to manually observing parts of the process, among others.

In general, credit institutions complied with the minimum CCL limits during the assessment, with the exception of two banks, which underwent observations and to which corrective measures were applied in order to amend non-compliance and to place them within the regulatory range.

In addition, during 2016 the CNBV reported to the public, through a press release on its website, the CCL of the immediately preceding quarter per institution, in accordance with the applicable regulatory framework³ and in order to provide transparency to the market.

The results of the CCL median in 2016 were as follows:



Revisions to issuer and voluntary regulated SOFOMs

As a result of the Financial Reform, as of July 2015, SOFOMs that issue debt to their position were transformed into entities regulated by the CNBV, to which specific normative aspects apply, such as:

- Prevention of transactions involving resources probably derived from illicit sources.
- Accounting registration.
- Disclosure and presentation of financial information and external auditors.
- Portfolio rating and building up of credit reserves (applicable as of January 2017).

This meant an increase in the CNBV's responsibilities due to the incorporation of new entities within the scope of supervision; these entities were already operating, but their actions were not regulated. During 2016, inspection visits were carried out on fifteen of the nineteen issuer SOFOMs, with their scope covering the knowledge of the strategy of each company and the degree of compliance. Areas of opportunity were detected in the accounting

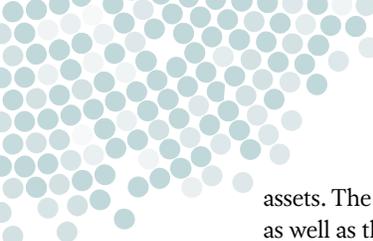
registration, for example: incorrect classification of the performing and non-performing portfolios, errors in the treatment of restructurings, deficiencies in the recognition of income and commissions, erroneous registrations in the treatment of investments in securities, inconsistencies in the presentation of financial information, errors in the presentation and sending of regulatory reports, errors in the presentation of information from external auditors, and deficiencies in regulatory compliance for the prevention of operations with resources of illicit origin.

In addition, the organizational structure, compensation system, internal control, audit functions, corporate management's efficiency, and installed infrastructure were evaluated in some of the companies, in order to maintain a specific overview of the entities' management.

Resolution of the SOCAPs that faced a revocation process

During 2016, the assets and liabilities transfer process of Caja Cristo Rey to Cooperativa Acreimex was monitored, with the support of resources from the Savings and Loan Cooperatives Protection Fund, prior to the revocation of Caja Cristo Rey. With this process, all the savers of said company were prevented from suffering any loss in

3/ General provisions on the liquidity requirements for IBMs.



assets. The continuity of the operations was also ensured, as well as the supply of financial services to partners.

In addition, the payment process of the savers of Caja Solidaria Bahía was followed up. This company was revoked in 2015, and the process was completed in 2016. The Savings and Loan Cooperatives Protection Fund responded to all the payment requests submitted.

Stress testing of brokerage firms

In 2016, the CNBV carried out the internal capital adequacy assessment process for the first time, under supervisory scenarios for the brokerage firms sector, with objectives similar to those in commercial banks:

1. To verify that these entities have sufficient capital to operate, even under adverse economic conditions.
2. To sensitize and encourage brokerage firms in the use of stress tests as a tool for risk management and decision-making.
3. To prepare financial projections under these conditions and possible response strategies.

This exercise was also useful to identify the main vulnerabilities at the entity and system level, and to gain a better understanding of the growth and operating prospects of brokerage firms in different macroeconomic scenarios.

Due to the diversity of business models within the sector, a differentiated approach was considered according to the type of operations (own account, third party account and volume of operation) and the risks associated, as well as the size of their operations. Thus, brokerage firms were segmented into four groups to have comparable entities in the analysis.

The CNBV drafted two macroeconomic scenarios for which each entity projected its financial statements and determined the path of the capitalization index, in accordance with the proposed assumptions and the business strategy. The base scenario represented economic stability and the adverse scenario considered a decline in world economic activity with external shocks that would affect the dynamics of the national economy.

The internal process of the analysis was based on four complementary phases that provided a comprehensive vision in terms of consistency and quality of the projections sent to the CNBV:

1. The projection of the base scenario was contrasted with the historical performance of the entity to ensure the consistency of said scenario.
2. To ensure consistency with the macroeconomic situation in each scenario, the base scenario was compared with the adverse scenario.
3. A comparison was made between entities with similar business models to identify possible deviations from the market.
4. The CNBV created projections with an internal model based on the information provided by the entities and the results were compared in order to identify if there were significant differences between the projections.

The analysis showed that the sector has solidity as a whole; however, six vulnerable entities were identified and asked to submit a preventive action plan, which was revised to ensure the feasibility of the actions in the short and medium term. It is currently given timely follow-up over a twelve-month timeline.

Designation of IBMs as Domestic Systemically Important Banks (DSIB)

The CNBV developed the methodology to identify and designate IBMs as being Domestic Systemically Important banks, in line with the regulatory framework published by the BCBS in 2012. This methodology takes into account four variables: size, interconnection, importance of services and infrastructure, and complexity of their operations. It consists of generating a total score that results from weighing the participation that each of the institutions has with respect to the system as a whole, and it was built based on sources of public information, so that each institution can replicate its total score.

The regulations concerning such methodology were published in amending resolutions 83 and 84 of the general provisions applicable to credit institutions on December 31st, 2015, and April 7th, 2016, respectively, same that are contained in Annexes 1-T and 1-T bis.

The results of the methodology to designate domestic systemically important institutions were presented to the CNBV Governing Board for approval in April 2016, with information up to year-end 2015, and they were made public through a press release published on May 1st, 2016.

The institutions designated as Domestic Systemically Important Banks, as well as the degree of their systemic importance and the corresponding additional capital conservation buffer, were as follows:

| Degree of systemicity | IBMs having local systemic importance | Additional capital buffer percentage |
|-----------------------|--|--------------------------------------|
| I | Scotiabank Banco Inbursa HSBC México | 0.60% |
| II | Banco Mercantil del Norte | 0.90% |
| III | Banco Santander México Banco Nacional de México | 1.20% |
| IV | BBVA Bancomer | 1.50% |

As stipulated in the provisions, a second evaluation was carried out in November 2016 based on the information available up to June of the same year. This confirmed to the Governing Board of the CNBV, in December 2016, that the seven domestic systemically important institutions maintained their designation and degree, and consequently will have additional capital requirements.

Recalibration of credit reserve models for non-revolving, microcredit, and mortgage consumer portfolios, applicable to credit institutions

As part of the ongoing process of updating methodologies and in order to recognize the current dynamics in normative matters of credit portfolios applicable to credit institutions, the methodologies for estimating credit reserves and the grading for non-revolving, microcredit, and mortgage consumer portfolios (both individual and collective) were updated in 2016, coming into force in June 2017.

Specifically, the parameters of probability of default, severity of loss, and exposure to default were updated. Information on periods of economic expansion and contraction was also integrated, to reflect a complete economic cycle. In addition, predictive variables coming from the information contained in the SIC were added at the borrower level, and not only at the loan level.

Supervisory actions on AML/CTF

The CNBV oversees the AML/CTF regime of financial institutions and other compelled subjects such as

SOFOM ENRs, currency exchange centers, and money transfer companies, in accordance with the financial laws and general provisions that derive from them. During 2016, the CNBV implemented actions to have a more effective supervision in AML/CTF matters. The main actions are detailed below.

AML/CTF risk matrixes for all supervised entities

A risk matrix was developed for those sectors that did not have such a system as of 2015⁴, such as brokerage firms, SOFOM ERs, SOCAPs, credit unions, SOFIPOs, bonded warehouses, companies managing investment funds, currency exchange offices, and distributing companies of investment funds. The matrix weighs, among other factors, the geographical area, the customers or users, and the services.

A robust methodology for quantitative assessment of the inherent risks and mitigating factors that impact the profile of the matrixes was used for their construction, in order to evaluate them and assign them a classification. This provides a structured mechanism for assessing the different types of risk faced by financial institutions and minimizes idiosyncratic evaluation through a common framework of quantitative and qualitative indicators.

This provides a unified risk-based monitoring system and allows attention to be focused on institutions that pose a greater threat to the stability and soundness of both the institutions themselves as well as the financial system, which enables a more effective risk-based supervision.

4/ In 2015, IBMs, development banks, currency exchange centers, SOFOM ENRs and money transfer companies did have risk matrixes. Investment advisors joined the AML/CTF regime starting June 1st, 2016, reason why it is projected that a matrix will be built during 2017.

National Risk Assessment on AML/CTF

In order for public policy to focus on the mitigation of the highest risks identified, the National Risk Assessment for Money Laundering and Terrorism Financing (ENR) is carried out. This self-assessment exercise is based on the first recommendation of the Financial Action Task Force (GAFI), the 2013-2018 National Development Plan (PND), and the 2013-2018 National Development Financing Program (Pronafide).

The document is national in scope, but with a federal approach and, although its elaboration was an exercise coordinated by the Financial Intelligence Unit (UIF) of the SHCP, the CNBV and other dependencies related to the different areas of prevention and fight against money laundering and terrorism financing, also contributed to its ideation. This exercise made it possible to identify, analyze, and understand the risks in this matter, which has contributed to the effectiveness, coordination and increase in the quality of the actions of the public sector.

Certification of compliance officers, auditors, and other professionals in AML/CTF matters

During 2016, three certification exams were carried out, with more than 4,500 applicants. 81.5% of compliance officers from companies managing investment funds were certified; 56.0%, from money

transfer companies; 48.8%, from SOFIPOs; 37.5%, from SOCAPs; 25.7%, from SOFOM ENRs; and 13.8% from currency exchange centers.

The certification intends to:

- Standardize the knowledge of compliance officers, auditors, and other professionals in AML/CTF matters, in accordance with international standards in this area.
- Reevaluate the role of the compliance officer.
- Have greater control of independent external auditors.
- Achieve increased competence in the sectors.
- Improve the supply in training.

It should be noted that, although the certification of all compliance officers has not been achieved in some sectors, it is estimated that all entities will have at least one certified officer. This should be understood as a natural process of strengthening the internal structures, as occurred in 2015 with credit institutions and brokerage firms.

As of December 31st, 2016, of the 3,292 institutions in the sectors supervised in AML/CTF matters, the following certifications have been granted:

| Sector | Number of entities | Entities with a certified compliance officer | Percentage |
|--|--------------------|--|--------------|
| Bonded warehouses | 16 | 12 | 75.0% |
| Development banks | 6 | 5 | 83.3% |
| Commercial banks | 47 | 46 | 97.9% |
| Brokerage firms | 36 | 36 | 100.0% |
| Currency exchange offices | 8 | 5 | 62.5% |
| Currency exchange centers | 1,258 | 173 | 13.8% |
| SOCAPs | 152 | 57 | 37.5% |
| Distributing companies of investment fund shares | 6 | 4 | 66.7% |
| SOFIPOs | 43 | 21 | 48.8% |
| Companies managing investment funds | 27* | 22 | 81.5% |
| SOFOM ENRs | 1,503 | 387 | 25.7% |
| SOFOM ERs | 50 | 43 | 86.0% |
| Money transfer companies | 50 | 28 | 56.0% |
| Credit unions | 90 | 41 | 45.6% |
| Total | 3,292 | 880 | 26.7% |

* Of the universe of companies managing investment funds (39), only 27 are considered to be in the AML/CTF regime.

Progress in RBA instrumentation

The following actions were carried out regarding the instrumentation of the RBA methodology in different sectors.

Risk Focused Rating of Financial Entities Methodology (Cefer)

- In the sectors of commercial banks and development banks, this methodology, designed in 2015, was used to standardize the sources and methods for calculating the qualitative and quantitative elements of the Cefer matrix. Specifically, the quarterly update of risk profiles was performed for all IBMs (47) and development banks (six).
- Additionally, in order to identify elements of continuous improvement in the institutions' risk analysis, inter-institutional panels were carried out to cross-check the results obtained and to standardize rating criteria among groups of financial institutions.
- The process of calculating the risk matrices of credit institutions was automated in the PTS.
- The development of the new risk rating methodology for SOFIPOs, SOCAPs and credit unions was concluded.
- The scores obtained from the Cefer matrixes were a core element for the definition of 2017 Annual Visits Program (PAV).

Institutional Report

- During 2016, the Quarterly Institutional Report of the totality of credit institutions supervised by the CNBV was updated, with a strategic and preventive approach to the situation of these entities, considering their significant activities, their main risk factors, and the situation of the acts of authority of the commission.

The report includes relevant indicators with a comparative approach regarding the financial institutions group, the system, and the trend observed in the entity itself. This analysis is fundamental in the formulation and monitoring of the supervision strategy.

- As of the second quarter of 2016, reports were developed for about 30% of the entities that comprise the SOFIPO, SOCAP and credit union sectors. The selection of the entities was based on eligibility criteria from a classification methodology (which considers financial indicators, amount of assets, Cefer score, and regulation indicators, among others) to determine priorities for analysis and monitoring, in line with a risk-based approach.

Supervision procedures

- The new on-site supervision procedures of credit institutions were uploaded to the PTS (37 topics, 251 procedures and 2,413 tasks), and they are being implemented at the inspection visits since August 2016.
- It is worth mentioning that these procedures were reengineered in 2015, in order to change from an approach based primarily on regulatory compliance to a risk-based approach, from which the process analysis, control measures, and risk management stand out, allowing better conclusions to be drawn on the risk exposure of the entities.
- In addition, the reengineering of the SOCAPs, SOFIPOs and credit unions was carried out (in total, nine topics, 69 procedures, and 591 tasks), starting its phased implementation in the second half of the year. As of 2017, all procedures in these sectors will be implemented through the PTS.
- Of the total number of visits made by the CNBV in 2016 (314 ordinary, 41 special, and 289 investigation visits), the ordinary visits whose planning began on August 1st, 2016, were incorporated into the PTS; that is, 61 regular visits and eleven special visits.

PTS Instrumentation

The development and implementation of various modules of the PTS were carried out with the objective of integrating a unique platform that automates the various phases and activities carried out in the comprehensive supervision process and in the authorization of new entities. During August, the visit execution module was released, allowing the planning of the visits, their documentation and the formulation of observations.

The following modules were released in December:

- Authorization of new entities in the preliminary phase, thereby automating the first stage of this process. It is worth mentioning that the release of this module includes its use by users outside the CNBV, in order for them to digitally enter the information.
- Corrective measures, intended to document the responses of the entities to the observations originated in the visits, as well as to generate the actions and corrective measures that arise from each observation.

As part of the release of these modules, the following actions were implemented:

- Establishment of the PTS service desk, in order to provide support and advice on the use of the platform.
- Detection and application of improvements to the released processes and modules,

which resulted in the following adaptations: improvements to the PAV, diagnostic reviews and indicators, entity management, detail of visits, as well as improvements in observations, recommendations, and corrective measures.

At the end of 2016, 72 visits were recorded on the PTS, four of which were conducted.

Additionally, and in continuity with the automation of the comprehensive supervision process, the modules were developed to follow corrective measures and manual input of the observations. These modules allow the registration of observations resulting from monitoring actions, as well as the follow-up of the corrective measures and self-correction programs of the entities.

Finally, the construction of the electronic notification platform administration module began during 2016. This platform seeks to consolidate in a single point the bidirectional exchange of information of the CNBV with external entities.





2.5 SUPERVISORY ACTIONS

2.5.1 SUPERVISION FOLLOW-UP

In terms of follow-up to supervision, coordination activities between the areas of supervision stood out during 2016, regarding the work related to the RBA, the PTS, the supervision guidelines and methodologies, and the PAV. Some of these activities are described below:

- The follow-up to compliance with the established guidelines, procedures, and methodologies for the supervision tasks, while promoting its updating and continuous improvement.
- The efforts to efficiently coordinate the supervision process, between substantive areas and including specialized areas, through the implementation of metrics to assess the operation of said process.
- The coordination of actions to develop and apply criteria and methodologies in the definition of the 2017 PAV, on behalf of the supervision and specialized supervision areas.

Regarding the visits program, it is highlighted that in 2016 the PAV was executed at a 100%. Of the 644

visits conducted, 48.8% were ordinary, 44.9% were investigation visits, and 6.3% were special visits. It should be mentioned that, analyzed by type of entity, SOCAPs, currency exchange centers, and IBMs were visited to a greater extent, with 56.7% of the visits conducted during the period, according to the contents of Annex B (Visits). Furthermore, 79.8% of the total number of visits were made to entities under comprehensive supervision and 20.2% to those entities supervised exclusively in AML/CTF matters.

Based on the visits and monitoring processes conducted during the year, the CNBV issued 59,259 observations and recommendations and instructed 6,698 corrective actions, according to the content of Annex C (Observations, Recommendations, and Corrective Measures).

It is worth mentioning that during this year the entities supervised exclusively in matters of AML/CTF, were subject to a detailed analysis of their audit reports, reason why these entities comprise 80.7% of the observations and recommendations issued in this period.

2.5.2 SUBSTANTIVE SUPERVISION

As part of the permanent responsibility to supervise and regulate the member entities of the SFM, several activities of supervision and

monitoring were carried out during the year, in order to ensure the stability and correct functioning of the entities, as well as the protection of the public interests.

2.5.2.1 COMMERCIAL BANKS

Integration of the sector and current situation

During 2016 the economic environment in Mexico was marked by changes in the monetary policy of Banxico, which increased the reference interest rate. This was the result of a number of factors, including the normalization of US monetary policy, the outcome of US elections, slow global economic growth, the hindering of foreign economies in global trade, as well as the result of public finances due to the fall of oil prices and the reduction in its

production, which in turn generated a depreciation in the exchange rate.

Still in the face of this situation, the commercial banks sector showed strength and dynamism as credit continued to expand in the various sectors of the economy, having sufficient capital and liquidity levels to deal with adverse macroeconomic scenarios, while contributing to mitigate the slowdown of the economy by boosting the domestic market as a fundamental part of macroeconomic policies.

As of December 2016, 47 IBMs were operating, due to the incorporation of three new institutions: Banco Finterra, Banco Sabadell, and Industrial and Commercial Bank of China Mexico (ICBC México), which began operations in January and June.



Source: CNBV, with information provided by the entities in April 2017.

The growth dynamics of the SFM are a reflection of macroeconomic stability, as well as of the confidence of national and foreign investors in the potential of the country's financial sector.

This is embodied in the 26% growth in the total consolidated assets of the commercial banks sector since 2014, year in which the Financial Reform was approved. Assets increased 12% only during 2016 (\$ 898 billion MXN) and reached \$8.668 trillion MXN. The group of banks comprises the five main entities

(considering the amount of their assets and net earnings), representing 70% of the total assets of the sector.

The most important asset is bank loan, which represents 55% of the net earning assets. This means a greater supply of financing sources for the different sectors, thus contributing to the boost of the economy by increasing financing for productive projects and families, through increased consumer loans.

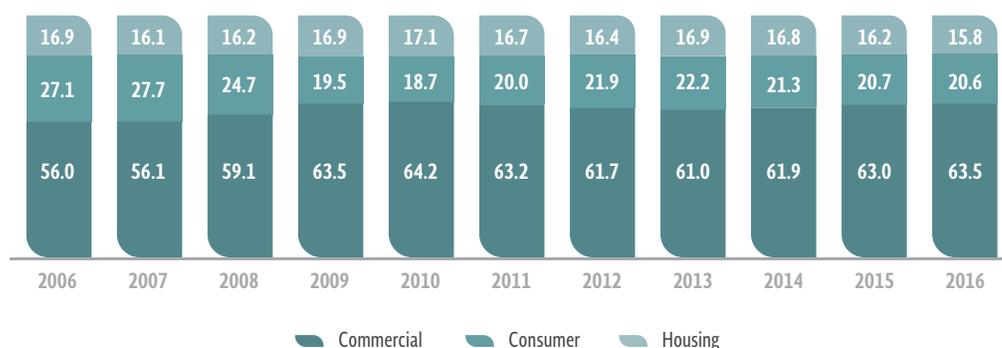


Source: CNBV, with information provided by the entities in April 2017.

At the close of 2016, the total portfolio amounted to \$4.339 trillion MXN, as a result of the 13% growth (\$496 billion MXN) compared to 2015. The improvement of the main items that are detailed below should be noted:

1. Commercial loans accounted for 64% of the total portfolio, and they registered a growth of 14% (\$334 billion MXN) compared to 2015, to reach \$2.755 trillion MXN. This is a result of the increased financing to commercial enterprises and State-owned enterprises.
2. Consumer loans maintained their growth rate during the year, with a 12% increase reaching \$896 billion MXN (21% of the total portfolio), due to a greater penetration of credit cards and payroll and personal loans. The auto loan placement stands out, which had an increase of 19% (\$16 billion MXN) compared to 2015.
3. Housing loans represents 16% of the total portfolio, continuing its positive trend by registering an annual increase of 10% (\$64 billion MXN) compared to 2015. They stood at \$688 billion MXN, mainly due to a boost in the dynamics of the middle-income and residential housing sector.

INTEGRATION OF THE LOAN PORTFOLIO, COMMERCIAL BANKS SECTOR (%)



Source: CNBV, with information provided by the entities in April 2017.

It is important to note that, during the last two years, the growth of the loan portfolio has been accompanied by declining deterioration indicators in all its portfolios, reason why it is considered to have a healthy growth. The non-performing portfolio was down 7% from 2015, and as a result the delinquency index (IMOR) decreased by 46 basis points (BPS) to 2.1%. The adjusted impairment

ratio (TDA), which measures the non-performing portfolio with the twelve-month average write-offs, decreased by 65 BPS reaching 5%. Additionally, the coverage index (ICOR) increased by 17 pp (percentage points) from 2015, reaching 157.1%, which means that the non-performing portfolio is covered 1.5 times with preventive estimates for loan risks.

COMMERCIAL BANKS SECTOR FINANCIAL INDICATORS

| Portfolio type | IMOR ¹ | | TDA ² | | ICOR ³ | |
|----------------|-------------------|------------|------------------|------------|-------------------|--------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Commercial | 1.9 | 1.3 | 2.9 | 2.5 | 119.0 | 129.3 |
| Consumer | 4.3 | 4.2 | 13.7 | 12.4 | 201.6 | 212.9 |
| Housing | 3.4 | 2.8 | 5.0 | 4.4 | 48.1 | 55.3 |
| Total | 2.6 | 2.2 | 5.7 | 5.0 | 140.1 | 157.1 |

1/ Delinquency index = non-performing portfolio / total portfolio.

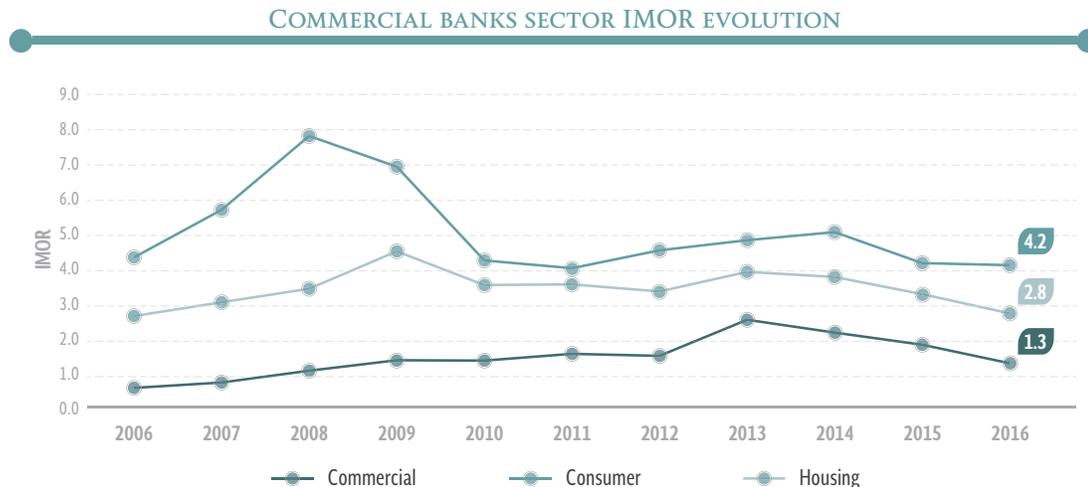
2/ Adjusted impairment rate = average non-performing portfolio of twelve months of the segment aggregated with write-offs of twelve months / average total portfolio of twelve months of the segment aggregated with write-offs of twelve months.

3/ Coverage index = preventive estimates for loan risk / nonperforming loan portfolio.

Source: CNBV, with information provided by the entities in April 2017.

The security investment portfolio is the second most important asset, representing 23% of the total consolidated assets of the banking sector. At the close of 2016, it stood at \$1.981 trillion MXN, representing a

moderate progress of 1% (\$24 billion MXN) compared to 2015, mainly due to the volatility observed during the year in the financial markets.



Source: CNBV, with information provided by the entities in April 2017.

On the other hand, the liabilities of the banking sector registered a growth of 12% (\$851 billion MXN), reaching \$7.811 trillion MXN. With this, the total liabilities to total assets ratio reached 90%, which means that the total assets cover 1.1 times the liabilities of the sector.

It is worth mentioning that 71% of the total liabilities are concentrated in the five main banks⁵, since, as of this year, the institutions considered Domestic Systemically Important Banks due to the size of their operation were identified. These entities were required to set up an additional capital conservation buffer of up to 2.3% of the total weighted assets subject to risk, to avoid affecting the operation of the system in the event of any breach.

The banking sector is mainly funded by traditional deposit taking (demand deposits and term deposits from the general public), which amounted to \$4.527 trillion MXN representing 58% of the total liabilities. It is important to note that, on a yearly basis, traditional deposit-taking increased 13% (\$ 506 billion MXN) as a result of higher demand deposits and term deposits,

which grew 15% (\$378 billion MXN) and 8% (\$118 billion MXN), respectively. This reflects the confidence of the saving public in the banking sector.

On the other hand, there was a 6% growth in stockholders' equity (\$48 billion MXN), mainly due to the capital gain of \$47 billion MXN in the period, and, as a result, stockholders' equity amounted to \$859 billion MXN at the end of the year. This is a consequence of the positive dynamics registered in the results of previous years, which show an increase of \$34 billion MXN compared to 2015.

In terms of profitability, the banking sector achieved good results by registering an annual growth of 9% (\$9 billion MXN) in the balance of net income accrued, amounting to \$107 billion MXN, as a result of the 12% growth in the result of the operation (\$15 billion MXN); the top five banks accounted for 71% of the net income.

As a result, the indicators for the return on assets (ROA) and return on equity (ROE) stood at 1.3% and 12.7%, respectively.

5/ Considering the amount of assets and net earnings.

COMMERCIAL BANKS SECTOR FINANCIAL INFORMATION (BILLION MXN)

| Concept | 2015 | 2016 |
|------------------------------------|-------|-------|
| Total assets | 7,770 | 8,668 |
| Net earning assets ¹ | 7,075 | 7,917 |
| Total portfolio | 3,843 | 4,339 |
| Commercial | 2,422 | 2,756 |
| Consumer | 797 | 896 |
| Housing | 623 | 688 |
| Preventive estimates | 140 | 146 |
| Total liabilities | 6,960 | 7,811 |
| Traditional deposit-taking | 4,020 | 4,527 |
| Stockholders' equity | 810 | 859 |
| Loan granting income | 83 | 96 |
| Financial intermediation income | 16 | 25 |
| Results of operations ² | 127 | 142 |
| Net earnings | 99 | 108 |

1/ Net earning assets = Performing portfolio + Availabilities + Margin accounts + Security investments + Net OVDs

2/ Income before taxes and discontinued operations

Source: CNBV, with information provided by the entities in April 2017.

COMMERCIAL BANKS SECTOR MAIN INDICATORS

| Indicator | 2015 | 2016 |
|-------------------------------------|--------|--------|
| IMOR | 2.60 | 2.15 |
| TDA | 5.65 | 5.00 |
| ICOR | 140.12 | 157.05 |
| EPRC / CT ¹ | 3.65 | 3.37 |
| CCL ² | 129.98 | 151.99 |
| ICAP ³ | 14.96 | 14.90 |
| Key equity /APSRT | 12.94 | 12.76 |
| Core capital /APSRT | 13.29 | 13.22 |
| CCPT ⁴ | 1.77 | 2.72 |
| ROE, 12 months ⁵ | 12.48 | 12.65 |
| ROA, 12 months ⁶ | 1.32 | 1.31 |
| Operational efficiency ⁷ | 3.46 | 3.63 |
| Non-financial income | 0.29 | 0.19 |
| Financial margin MIN ⁸ | 7.46 | 7.47 |

1/ Preventive estimates for loan risk / total portfolio.

2/ Liquidity coverage ratio. Average level of the IBMs compelled to report the CCL, calculated according to the general provisions on liquidity requirements for the IBMs. The indicator refers to the CCL median of the IBMs, corresponding to 4Q16. The median is the value of the variable in the midpoint of an ordered series of data. To calculate the median, the numbers are sorted according to their value and the middle number is taken.

3/ Capitalization index. Result of dividing the net capital between the total weighted assets subject to risk, expressed as a percentage rounded up to the nearest hundredth of a percentage point.

4/ Total average deposit-taking cost.

5/ Net earning (accrued 12 months) / Average stockholders' equity of the last 12 months.

6/ Net earning (accrued 12 months) / Average assets of the last 12 months.

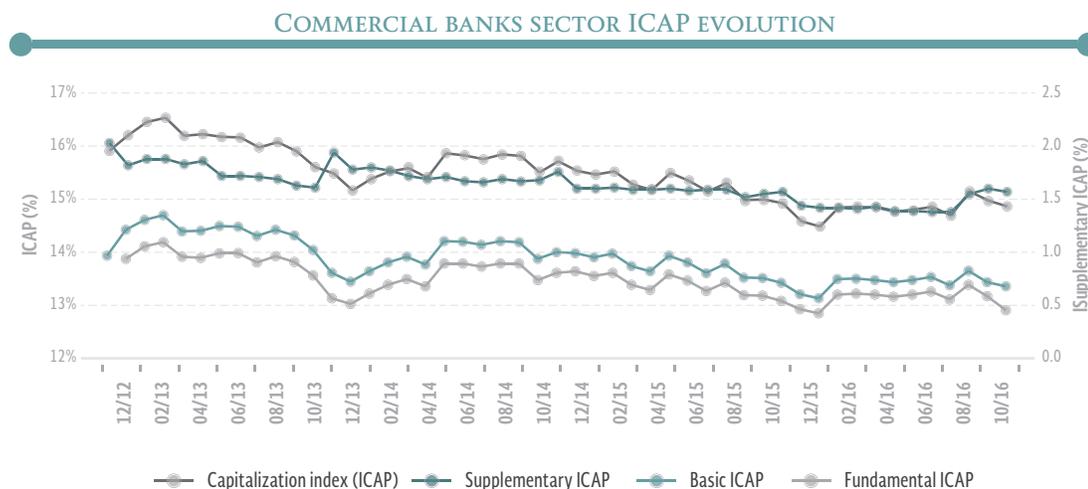
7/ Administration and promotion expenses 12 months / Total average assets of 12 months.

8/ Financial margin (accrued 12 months) / Net average earning assets 12 months.

Source: CNBV, with information provided by the entities in April 2017.

It should be noted that the performance of the banking sector is supported by robust solvency and liquidity levels, above regulatory requirements and international parameters, allowing the sector to meet its obligations

and liquidity needs. The IBMs' capitalization index (ICAP) remained between 14.5% and 14.9% during 2016. On the other hand, the CCL median⁶ was located at 152% levels.⁷



Source: CNBV, with information provided by the entities in April 2017.

Regarding access to financial services, significant progress has been made in infrastructure for customer service, resulting from the addition of 288 more units to the branch network and 2,164 ATMs. Likewise, there are 40,213 units of banking correspondents, which allows for advancement in financial inclusion by bringing financial services closer to a larger number of people.

This reflects on the growth in the number of deposit accounts and the number of credit card (TDC)

contracts, which rose from 12.9 and 3 million units, respectively, to 161.9 and 27.5 million. Additionally, the number of bank commission agents reached 3,633, which increased significantly the amount of their operations in \$ 12.1 billion MXN. Likewise, 671,363 establishments have POS, through which 173.2 million transactions were carried out, meaning 30.5 million more than in 2015.

6/ The CCL is the result of dividing the net computable assets between the total net outflow, as established in Article 2 of the general provisions on Liquidity Requirements for Commercial Banks.

7/ At the end of 2016, one bank did not comply with the minimum required CCL, being located in scenario IV in accordance with the provisions of transitional Article 4 of the aforementioned provisions. Consequently, the CNBV ordered the application of corrective measures provided for in Article 13 of the provisions.

COMMERCIAL BANKS SECTOR OPERATIONAL INFORMATION

| Concept | 2015 | 2016 |
|---|---------|---------|
| IBMs in operation | 44 | 47 |
| IBMs considered Domestic Systemically Important Banks | n/a | 7 |
| Branches | 12,236 | 12,524 |
| ATMs | 45,781 | 47,945 |
| N.º deposit customers (thousands) | 148,916 | 161,883 |
| N.º TDC contracts (units) | 24,503 | 27,539 |
| N.º loan customers (thousands) | 24,503 | 26,339 |
| Banking correspondent modules | 50,669 | 40,213 |
| Banking commission agents | 2,416 | 3,633 |
| Amount of transactions carried out by commission agents (million MXN ¹) | 25,988 | 38,084 |
| N.º of establishments with POS (units) | 645,577 | 671,363 |
| N.º of POS transactions (millions) | 142,709 | 173,254 |

1/ million MXN = 1,000,000 Mexican pesos

Source: CNBV, with information provided by the entities in April 2017.

Supervisory activities

Among the most important activities carried out regarding supervision, are the following:

- Continuous monitoring of the risk profiles of credit institutions.
- The analysis of the performance and quality of the assets, as well as the delinquency levels of the institutions by type of portfolio.
- The evaluation of the strategy for the offering of products to the retail bank, with the corresponding knowledge and analysis of their characteristics, the reasonability of their policies and the customer acceptance criteria.
- The supervision of the key processes and the main risk takings of the different loan portfolios (commercial, government, consumer and housing); as well as monitoring the evolution of the portfolio.
- The continuous monitoring to the management and the capital and liquidity levels, through tracking the ICAP and CCL indicators.
- The analysis of the financial information from the financial reports of the institutions, with different periodicities, which aim to permanently monitor the evolution of their financial situation and their compliance with their business plans.
- The constant monitoring of the evaluation of the banks' budget, which verified the evolution of their strategy. This is intended to identify and mitigate risks that may arise in a timely manner, and allows focusing of the monitoring efforts.
- The permanent monitoring of the institutions' position, in foreign currency and especially of their loan portfolio, to evaluate their exposure and the way in which the institutions mitigate the exchange effect.
- Verification of compliance with the regulations on sales practices and the compensation system, by strengthening the processes related to investment services advice, as well as the extension of hierarchical levels subject to the compensation system.
- Due to the exposure to market risk, as well as the importance of repurchase transactions in the balance sheet structure in some institutions, the accounting and operational aspects of these operations were reviewed.

These activities seek to enhance the accumulated experience to optimize supervision and monitoring, as well as to use the resources available to the CNBV efficiently, which is why each year the supervising priorities are established in order to focus efforts on those issues that should be permanently supervised because of their importance or risk.

2.5.2.2 DEVELOPMENT BANKS AND PROMOTION ENTITIES

Sector integration and current situation

The CNBV supervises several entities whose mission is to promote the development of the country through financial activities. Among the main functions of these entities are: to provide commercial loans (preferably as second-tier banking) and guarantees; to provide technical advice and other kinds of support; to grant housing mortgage or consumer loans to workers in the formal economy of the country; and, finally, to

promote savings and support the popular savings and loan sectors. Supervised entities include development banks, promotion bodies, and public trusts which, according to the applicable regulation, are part of the Mexican banking system.

Furthermore, one SOFOM is supervised since December 2014, as said company established an asset-related tie with a development bank.

DEVELOPMENT BANKS AND PROMOTION ENTITIES SECTOR COMPOSITION

| Attended sector | Type of entity | | | |
|--|---------------------------------------|---------------------|--------------------|-----------------|
| | Development banks | Promotion bodies | Public trust funds | SOFOM ERs |
| Agricultural and rural | DNA | FND ² | FIRA ³ | DNA |
| Savings and consumption | Banjército Bansefi | Infonacot | DNA | DNA |
| Industrial, governmental and infrastructural | Nafin Bancomext Banobras ¹ | DNA | Fifomi | DNA |
| Housing | SHF | Infonavit Fovissste | FOVI | Metrofinanciera |

| Full name | Acronym |
|---|-----------------|
| Banco del Ahorro Nacional y Servicios Financieros | Bansefi |
| Banco Nacional de Comercio Exterior | Bancomext |
| Banco Nacional de Obras y Servicios Públicos ¹ | Banobras |
| Banco Nacional del Ejército, Fuerza Aérea y Armada | Banjército |
| Fideicomiso de Fomento Minero | Fifomi |
| Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero ² | FND |
| Fideicomisos Instituidos en Relación con la Agricultura ³ | FIRA |
| Fondo de la Vivienda del Issste ⁴ | Fovissste |
| Fondo de Operación y Financiamiento Bancario a la Vivienda | FOVI |
| Instituto del Fondo Nacional para el Consumo de los Trabajadores | Infonacot |
| Instituto del Fondo Nacional de la Vivienda para los Trabajadores | Infonavit |
| Metrofinanciera, S.A.P.I. de C.V., SOFOM, ER | Metrofinanciera |
| Nacional Financiera | Nafin |
| Sociedad Hipotecaria Federal | SHF |

DNA: Does not apply.

1/ Arrendadora Banobras, SOFOM ER, is also supervised, currently in settlement process.

2/ Consisting of four trusts: Fondo de Garantías y Fomento para la Agricultura, Ganadería y Avicultura (Fondo), Fondo Especial para el Financiamiento Agropecuario (FEFA), Fondo Especial de Asistencia Técnica y Garantías para Créditos Agropecuarios (FEGA), and Fondo de Garantía y Fomento para las Actividades Pesqueras (Fopesca).

3/ Its name changed as of January 11th, 2014; it was previously known as Financiera Rural.

4/ Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado.

Development banks current situation

The development banks sector achieved positive results, with its assets balance amounting to \$1.797 trillion MXN, which meant an annual growth of 16.2% compared to 2015.

The total loan portfolio had an annual increase of 16.8%, from a balance of \$768 billion MXN, in December 2015, to \$897 billion MXN, at the end of 2016, in this aspect the following stands out:

- Commercial loans grew 17.4%, making it the most important portfolio accounting for 93.7% of the total portfolio, with an amount of \$841 billion MXN. It should be noted that Banobras has a 44.3% participation in this area, mainly due to loans to government entities.
- Consumer loans increased by 25% compared to 2015; however, they accounted for only 3% of the total portfolio, reaching \$26 billion MXN. In this area, Banjército's participation stands out with 96.3%, since it has a greater penetration in the market niche that it attends because it is a first-tier bank. The increase in relation to 2015 was mainly due to loans to active and retired personnel of the army.
- Housing loans had a 3.2% decrease in 2016, which is a reflection of the low dynamism of this item in the housing economic sector, standing at \$30 billion MXN and representing 3.3% of the total portfolio. In this area, SHF stood out accounting for 62.8% of the total housing portfolio.

DEVELOPMENT BANKS (BILLION MXN)

| Concept and institutions | 2015 | 2016 |
|-------------------------------------|---------------|---------------|
| Total portfolio ¹ | 768.51 | 897.77 |
| Commercial | 716.53 | 841.48 |
| Bancomext | 151.91 | 192.48 |
| Banjército | -- | -- |
| Banobras | 338.77 | 372.75 |
| Bansefi | 1.22 | 1.304 |
| Nafin | 171.53 | 214.15 |
| SHF | 53.09 | 60.78 |
| Consumer | 21.22 | 26.52 |
| Bancomext | 0.018 | 0.015 |
| Banjército | 19.91 | 25.63 |
| Banobras | 10 | 10 |
| Bansefi | 1.27 | 0.86 |
| Nafin | 0.01 | 0.01 |
| SHF | -- | -- |
| Housing | 30.75 | 29.76 |
| Bancomext | 0.11 | 0.10 |
| Banjército | 10.49 | 10.66 |
| Banobras | 0.18 | 0.15 |
| Bansefi | -- | -- |
| Nafin | 0.16 | 0.14 |
| SHF | 19.79 | 18.70 |

1/ Figures consolidated with subsidiaries.

Source: CNBV, with information provided by the entities in April 2017.

It should be noted that the growth in loans was accompanied by lower indicators of non-performing portfolios than those recorded in 2015, having an impact on the IMOR, which stood at 2.8% and represented a reduction of 13 BPS.

At the close of 2016, investments in securities accounted for \$723 billion MXN, as a result of a greater dynamism of the securities portfolio, mainly due to the growth of institutions such as Banobras and Nafin. Consequently, investments in securities accounted for 40.2% of the total assets of the sector.

DEVELOPMENT BANKS (BILLION MXN)

| Concept and institutions | 2015 | 2016 |
|---|---------------|---------------|
| Investments in securities ¹ | 631.84 | 722.98 |
| Bancomext | 121.06 | 120.50 |
| Banjército | 14.65 | 15.03 |
| Banobras | 261.11 | 289.24 |
| Bansefi | 23.72 | 23.74 |
| Nafin | 179.33 | 240.02 |
| SHF | 31.95 | 34.43 |

1/ Figures consolidated with subsidiaries.

Source: CNBV, with information provided by the entities in April 2017.

The sector's liabilities represented \$1.668 trillion MXN, an increase of \$237 billion MXN, or 16.6% more than in 2015. This amount represented 92.9% of the total assets.

Traditional deposit-taking (demand deposits, term deposits and debt securities issued) grew 17.4%, reaching \$807 billion MXN and representing 48.4% of the total liabilities.

DEVELOPMENT BANKS (BILLION MXN)

| Concept and institutions | 2015 | 2016 |
|-----------------------------------|---------------|---------------|
| Traditional deposit-taking | 687.68 | 807.44 |
| Bancomext | 131.47 | 144.56 |
| Banjército | 36.42 | 40.10 |
| Banobras | 282.98 | 323.55 |
| Bansefi | 13.87 | 16.65 |
| Nafin | 194.63 | 233.81 |
| SHF | 28.28 | 48.75 |

Source: CNBV, with information provided by the entities in April 2017.

As for stockholders' equity, it stood at \$128 billion MXN, representing an increase of 10.6% compared to 2015. This increase is basically explained by the increase in contributed capital and earned capital during 2016.

In terms of results, the sector registered an increase of \$1.2 billion MXN in net profits, which represented a

growth of 28.3% over the previous year. Consequently, ROA and ROE ratios reached 0.3% and 4.5%, respectively, at the end of 2016.

At the end of 2016, Development Banks' ICAP was 15.5%, 1.3 pp higher than at the close of 2015, as the growth in total assets subject to risk (ASRT) was lower in percentage terms, compared to the net capital.

DEVELOPMENT BANKS (BILLION MXN AND PERCENTAGES)

| | 2015 | | | 2016 | | |
|-------------------------|------------------------------|-----------------------|-------------|------------------------------|-----------------------|-------------|
| | Net Capital (billion MXN) | ASRT (billion MXN) | ICAP (%) | Net Capital (billion MXN) | ASRT (billion MXN) | ICAP (%) |
| Development banks total | 109 | 765 | 14.19% | 134 | 868 | 15.46% |

Source: CNBV, with information provided by the entities in April 2017.

DEVELOPMENT BANKS¹ (BILLION MXN AND PERCENTAGES)

| Concept and institutions | 2015 | 2016 |
|---|-----------------|-----------------|
| Total assets (billion MXN) | 1,546.89 | 1,796.82 |
| Banobras | 642.12 | 708.13 |
| Nafin | 384.82 | 503.54 |
| Bancomext | 321.05 | 362.68 |
| SHF | 109.28 | 120.66 |
| Banjército | 58.54 | 64.79 |
| Bansefi | 31.05 | 37.01 |
| Total loan portfolio (billion MXN) | 768.51 | 897.77 |
| Banobras | 338.96 | 372.92 |
| Nafin | 171.70 | 214.31 |
| Bancomext | 152.05 | 192.59 |
| SHF | 72.88 | 79.48 |
| Banjército | 30.40 | 36.29 |
| Bansefi | 2.49 | 2.16 |
| Liabilities (billion MXN) | 1,430.91 | 1,668.65 |
| Banobras | 603.58 | 667.55 |
| Nafin | 359.32 | 475.43 |
| Bancomext | 300.58 | 339.39 |
| SHF | 91.16 | 99.74 |
| Banjército | 47.19 | 51.65 |
| Bansefi | 29.06 | 34.88 |
| Stockholders' equity (billion MXN) | 115.86 | 128.16 |
| Banobras | 38.54 | 40.58 |
| Nafin | 25.38 | 28.10 |
| Bancomext | 20.46 | 23.29 |
| SHF | 18.11 | 20.91 |
| Banjército | 11.35 | 13.14 |
| Bansefi | 1.99 | 2.12 |
| Net result (billion MXN) | 4.27 | 5.48 |
| Banobras | 2.34 | 1.25 |
| Nafin | 1.30 | 1.35 |
| Bancomext | 0.79 | 0.71 |
| SHF | -1.65 | 0.22 |
| Banjército | 1.40 | 1.83 |
| Bansefi | 0.079 | 0.13 |
| ICAP (%) | 14.19 | 15.46 |
| Banobras | 13.98 | 13.75 |
| Nafin | 13.57 | 13.26 |
| Bancomext | 12.68 | 19.02 |
| SHF | 14.13 | 14.04 |
| Banjército | 20.26 | 20.77 |
| Bansefi | 21.57 | 18.80 |
| IMOR (%) | 2.97 | 2.84 |
| Banobras | 0.70 | 0.97 |
| Nafin | 1.10 | 1.02 |
| Bancomext | 0.52 | 1.06 |
| SHF | 23.68 | 21.57 |
| Banjército | 1.14 | 1.19 |
| Bansefi | 5.96 | 6.33 |

| Concept and institutions | 2015 | 2016 |
|--------------------------|-------------|-------------|
| ROE (%) | 3.83 | 4.51 |
| Banobras | 6.19 | 3.09 |
| Nafin | 4.95 | 4.96 |
| Bancomext | 4.26 | 3.29 |
| SHF | -10.25 | 1.22 |
| Banjército | 13.23 | 14.89 |
| Bansefi | 4.57 | 6.55 |
| ROA (%) | 0.29 | 0.33 |
| Banobras | 0.39 | 0.19 |
| Nafin | 0.33 | 0.29 |
| Bancomext | 0.29 | 0.21 |
| SHF | -1.49 | 0.20 |
| Banjército | 2.51 | 2.94 |
| Bansefi | 0.19 | 0.31 |

1/ Figures consolidated with subsidiaries.

Source: CNBV, with information provided by the entities in April 2017.

Promotion entities current situation

The promotion entities sector, which includes promotion bodies and public trusts that are part of the SFM, achieved positive results by registering assets amounting to \$1.595 trillion MXN and an annual growth of 11.3%.

The total loan portfolio had an annual increase of 10%,

going from \$1.409 trillion MXN in December 2015, to \$1.550 trillion MXN in the same month of 2016; in this respect, the following stands out:

Mortgage loans represented the most important portfolio within the total loan portfolio, with 87.4%. This item registered an increase of 8.9% compared to 2015; in turn, Infonavit stood out with a participation of 86.3%.

PROMOTION ENTITIES (BILLION MXN AND PERCENTAGES)

| Concept and institutions | 2015 | 2016 |
|--------------------------|-----------------|-----------------|
| Housing portfolio | 1,244.11 | 1,354.25 |
| Infonavit | 1,074.27 | 1,168.11 |
| Infonacot | -- | -- |
| Fovissste | 159.99 | 177.03 |
| FIRA | 0.032 | 0.031 |
| Fifomi | -- | -- |
| FOVI | 9.80 | 9.07 |
| FND | -- | -- |

Source: CNBV, with information provided by the entities in April 2017.

The growth in loans was accompanied by non-performing portfolio indicators very similar to those of 2015, reflected in an IMOR of 0.1%, which increased marginally by 1 BPS.

The sector's liabilities amounted to \$1.271 trillion MXN, which represented an increase of \$125.5 billion MXN, or 10.9% over 2015. This amount represented 79.6% of the total assets.

As for stockholders' equity, it reached \$324 billion MXN in 2016, representing an increase of 12.7% (\$36 billion MXN). In terms of results, the sector registered an increase of \$10 billion MXN in net profits, 36.7% more than the previous year. As a result, ROA and ROE stood at 2.3% and 11.3%, respectively, at the close of 2016. ROA increased by 0.4 pp and ROE by 1.8 pp.

PROMOTION ENTITIES (BILLION MXN AND PERCENTAGES)

| Concept and institutions | 2015 | 2016 |
|---|-----------------|-----------------|
| Total assets (billion MXN) | 1,432.95 | 1,594.86 |
| Infonavit | 1,066.26 | 1,181.99 |
| Infonacot | 14.87 | 18.62 |
| Fovissste | 159.21 | 165.73 |
| FIRA | 121.98 | 143.92 |
| Fifomi | 5.24 | 5.32 |
| FOVI | 16.75 | 20.94 |
| FND | 48.60 | 58.32 |
| Total loan portfolio (billion MXN) | 1,409.05 | 1,550.45 |
| Infonavit | 1,074.71 | 1,168.73 |
| Infonacot | 13.79 | 16.24 |
| Fovissste | 159.99 | 177.03 |
| FIRA | 141.88 | 169.60 |
| Fifomi | 3.13 | 3.23 |
| FOVI | 20.88 | 19.60 |
| FND | 48.60 | 58.32 |
| Liabilities (billion MXN) | 1,145.36 | 1,270.90 |
| Infonavit | 913.26 | 1,006.35 |
| Infonacot | 7.62 | 9.44 |
| Fovissste | 158.56 | 163.86 |
| FIRA | 46.43 | 65.03 |
| Fifomi | 0.44 | 0.50 |
| FOVI | 4.050 | 3.04 |
| FND | 14.98 | 22.648 |
| Stockholders' equity (billion MXN) | 287.59 | 323.96 |
| Infonavit | 152,997 | 175,640 |
| Infonacot | 7.24 | 9.18 |
| Fovissste | 0.65 | 1.87 |
| FIRA | 75.55 | 78.88 |
| Fifomi | 4.80 | 4.81 |
| FOVI | 12.71 | 17.89 |
| FND | 33.62 | 35.67 |
| Net result (billion MXN) | 26.28 | 35.92 |
| Infonavit | 20.06 | 22.64 |
| Infonacot | 1.87 | 1.68 |
| Fovissste | 0.65 | 1.87 |
| FIRA | 1.85 | 2.91 |
| Fifomi | 0.13 | 0.13 |
| FOVI | -0.92 | 5.18 |
| FND | 2.63 | 1.48 |
| IFP (%)¹ | N.D. | 15.13 |
| Infonavit | N.D. | 12.40 |
| Infonacot | N.D. | 34.11 |
| Fovissste | N.D. | 9.13 |
| FIRA | N.D. | 48.79 |
| Fifomi | N.D. | 17.84 |
| FOVI | N.D. | 25.51 |
| FND | N.D. | N.D. |
| IMOR (%) | 0.07 | 0.08 |
| Infonacot | 0.042 | 0.048 |
| Fovissste | 0.075 | 0.080 |
| FIRA | 0.016 | 0.009 |
| Fifomi | 0.014 | 0.012 |
| FOVI | 0.436 | 0.515 |
| FND | 0.041 | 0.045 |
| ROE (%) | 9.48 | 11.29 |
| Infonavit | 23.04 | 29.34 |
| Infonacot | 29.31 | 20.27 |
| Fovissste | 64.23 | 248 |
| FIRA | 2.47 | 373.76 |
| Fifomi | 2.72 | 2.84 |
| FOVI | -7.17 | 35.04 |
| FND | 8.26 | 4.24 |

| Concept and institutions | 2015 | 2016 |
|--------------------------|-------------|-------------|
| ROA (%) | 1.90 | 2.27 |
| Infonavit | 3.28 | 1.97 |
| Infonacot | 14.09 | 10.07 |
| Fovissste | 0.40 | 1.13 |
| FIRA | 1.74 | 2.24 |
| Fifomi | 2.65 | 2.42 |
| FOVI | -5.39 | 31.19 |
| FND | 6.51 | 2.89 |

1/ Balance-sheet strength index (similar to the ICAP for banks). In 2015, provisions did not require the calculation of this indicator.

N/A= not available

Source: CNBV, with information provided by the entities in April 2017.

Supervisory activities

As part of the general supervisory activities, it is worth highlighting the follow-up to 2013-2018 institutional programs and business plans, especially at the level of loan placement both directly and induced by guarantees, in order to assess the possible impact of those plans in the solvency and operation of the supervised entities. Likewise, the implementation of CUOEF was monitored, whose transitional periods ended in 2016.

Specifically, the following inspection and monitoring activities attract attention:

- The follow-up to the strategies, designed by a development bank and a public trust oriented to the mortgage sector, which are related to the recovery of the portfolios received as nonrecourse debt.
- With regard to consumer programs, aimed at beneficiaries of social programs and refinancing of loans for education workers, which were operated by a development bank, the improvements being designed to the loan process were monitored. Additionally, in terms of contracts, the accounting registration of the non-performing portfolio and the constitution of preventive estimates were monitored.
- In the case of a public trust fund focused on the mining sector, several observations were made regarding the preparation of financial statements, regulatory reports, and disclosure of information, due to deficiencies recorded throughout the year.

- Derived from the lack of documentation in some mortgage loan files, mainly testimonies or registrations in the public property registry, a promotion body was instructed to build up additional preventive reserves for operational risks.
- The assessment of the exchange rate effects on foreign currency loan portfolios, as well as the issuance of subordinated debentures that count as complementary capital, in the capitalization level of a development bank.
- The follow-up to the process of financial and operational restructuring implemented by a SOFOM linked to a development bank.
- The authorization of various self-correction programs, proposed to the CNBV by three supervised entities on their own initiative, regarding the regularization of notices for contracting third parties for the provision of services, as well as the preparation and submission of regulatory reports.
- The review of a program submitted by a promotion body, to strengthen the level of its assets in case of unexpected losses, in order to operate according to standards similar to those of the development banks.

During 2016, institutions in general maintained a reasonably stable situation, supported by adequate levels of solvency, liquidity, and profitability, as well as by the satisfactory management of the loan process, the internal control system, and the comprehensive risk management.

2.5.2.3 BROKERAGE FIRMS

Composition of the sector and current situation

At the close of 2016, the brokerage firms sector comprised 36 intermediaries, of which twenty are

members of financial groups. On the other hand, as of their corporate structure, fourteen brokerage firms are subsidiaries of foreign financial entities.

BROKERAGE FIRMS (BILLION MXN AND PERCENTAGES)

| Concept | 2015 | 2016 |
|--|---------|---------|
| Number of entities | 36 | 36 |
| Customers' securities received in custody (billion MXN) | 6,599.3 | 6,849.8 |
| Government debt | 1,176.8 | 1,257.4 |
| Banking debt | 315.1 | 255.4 |
| Other debt securities | 437.7 | 442.3 |
| Net wealth instruments | 4,659.0 | 4,883.5 |
| Securities in trust | 10.5 | 11.1 |
| Others | 0.1 | 0.1 |
| Total assets (billion MXN) | 575.6 | 485.9 |
| Investments in securities (billion MXN) | 472.4 | 312.5 |
| Negotiable securities | 428.0 | 252.1 |
| Securities available for sale | 43.0 | 55.1 |
| Securities held until maturity | 1.4 | 5.3 |
| Debtors under repurchase agreements (billion MXN) | 14.6 | 5.7 |
| Creditors under repurchase agreements (billion MXN) | 432.5 | 280.4 |
| Net earnings (billion MXN) | 5.1 | 5.8 |
| Main financial reasons | | |
| Solvency (number of times) ¹ | 1.07 | 1.10 |
| Liquidity (number of times) ² | 0.15 | 0.30 |
| Leverage (number of times) ³ | 12.49 | 8.92 |
| ROE (%) ⁴ | 14.31 | 13.61 |
| Administrative and promotion costs / Total operating income (%) ⁵ | 76.07 | 72.45 |
| Personnel costs / Total operating income (%) ⁵ | 35.74 | 34.68 |
| Net earnings / Total operating income (%) ⁵ | 27.99 | 29.88 |
| ICAP (%) ⁶ | 27.82 | 26.20 |

1/ Solvency = Total assets / total liabilities

2/ Liquidity = Current assets / Current liabilities

Current assets = Availabilities (Cashier + Banks + Other availabilities + Foreign currencies to be received) + Negotiable securities without restriction + Securities available for sale without restriction + Debtors under repurchase agreements + Accounts receivable

Current liabilities = Banking loans and from other entities in the short term + Creditors under repurchase agreements + Other accounts payable

3/ Leverage = (Total liabilities - Creditors under settlement of transactions) / Stockholder's equity

4/ Net earnings (12-month flow) / Stockholder's equity (12-month average)

5/ Calculations in 12-month flows

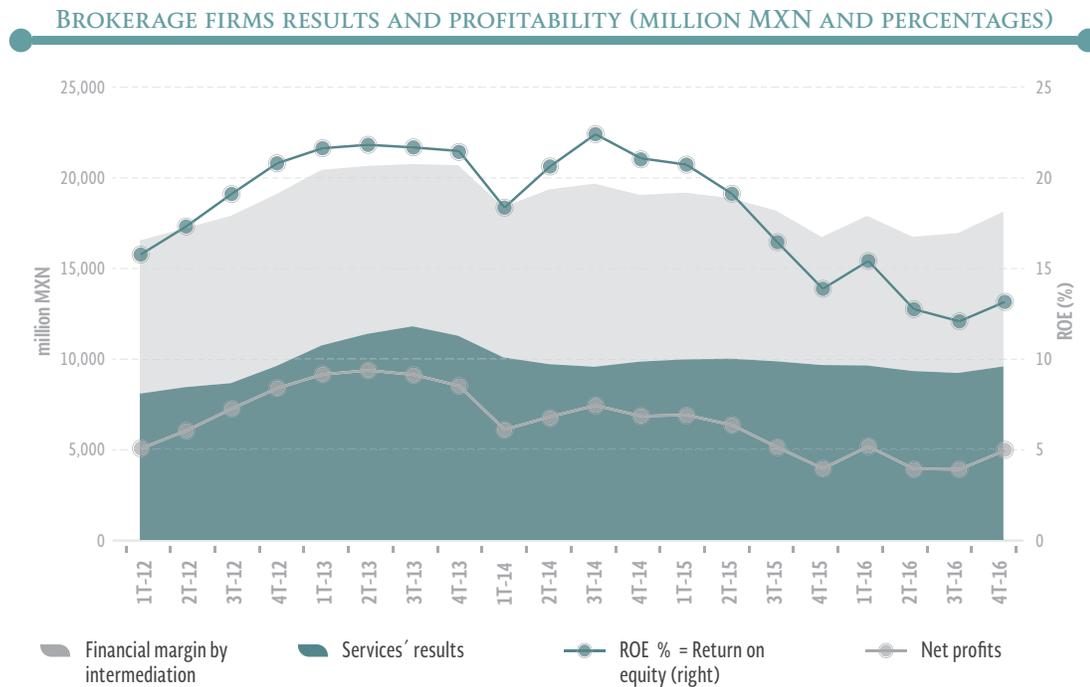
Personnel costs = Direct short-term benefits + Salaries

Total operating income = Services results + Mediation financial margin + Other income (disbursements) of the operation

6/ Capitalization index = Net capital / Assets subject to total risks.

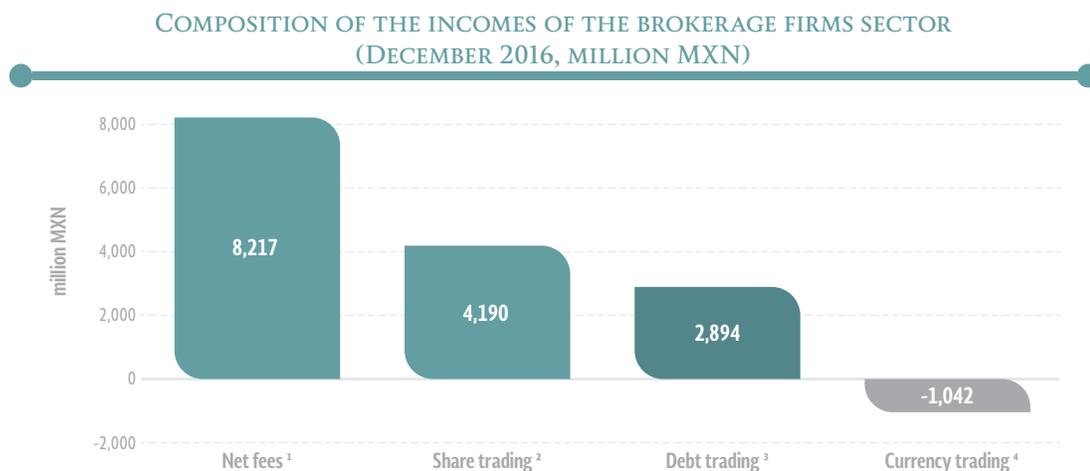
Source: CNBV, with information provided by the entities in April 2017.

The sector registered an increase of 11.9% in net earnings compared to the end of 2015, mainly explained by an increase in financial margin by intermediation, resulting from a growth in the results from trading transactions and interest in the stock market.



Source: CNBV, with information provided by the entities in April 2017.

The levels of results of the services remained similar to those observed in 2015, as a consequence of net fees and commissions. The return on equity, represented by the ROE indicator, amounted to 13.6%, slightly lower than the percentage registered during the same period of the previous year.



1/ Net fees.

2/ Trading net earnings.

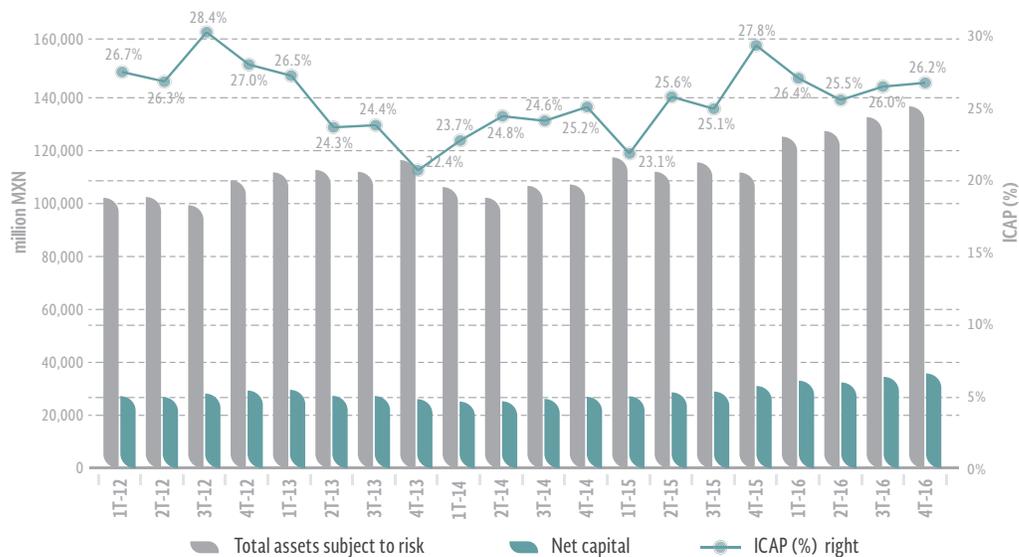
3/ Returns and interests gained from securities investments + Returns and interests gained from repurchase transactions - Returns and interests paid in repurchase transactions.

4/ Net currencies, within trading profit and loss

Source: CNBV, with information provided by the entities in April 2017.

Regarding the management of their capital, brokerage firms registered a decrease in their ICAP, which suffered a decrease from 27.8% to 26.2% during the same period, as a result of an increase in assets subject to risk.

CAPITAL AND ICAP OF BROKERAGE FIRMS ¹ (MILLION MXN AND PERCENTAGES)



1/ By an amending resolution, the ICAP is published as of October 2015, which is equivalent to the ICC indicator on capital solvency, which used to be published instead before that month.

Source: CNBV, with information provided by the entities in April 2017.

Supervisory activities

The supervisory activities continued to specialize and focus on the markets in which the entities participate, as well as their level of observed risk, highlighting the legal and operational risk derived from the actions of the promoters and operators towards the clients. These activities were focused on the review of different topics, including but not limited to:

- The effectiveness of the internal control system and the internal audit area.
- Inspection visits that evaluated, among others, the processes of operation, the quality of their management, and their comprehensive risk management systems. In this regard, a number of corrective actions were identified focusing on weaknesses detected in internal control and operational processes.
- The operation of the system of reception, registration, and execution of orders, as well as the assignment of operations.
- The segregation of functions to prevent conflicts of interest.

The aforementioned activities made the following achievements possible:

- Strengthening of the bodies responsible for the operation of internal control systems and internal audit.
- Incorporation of improvements in:
 - Operations systems and settlement processes.
 - Quality of the services provided to customers.
 - Prevention of conducts that may lead to fraud.

In addition, arising from the possible establishment of a second stock exchange and in order to boost the competitiveness, transparency, and sound operation of brokerage firms, the revision and comprehensive modification project for the general provisions applicable to these entities began. To this end, an update of the operation rules in the stock exchanges and the strengthening of the regulatory framework applicable to the implementation and monitoring of the internal control systems, as well as cyber-security and technological infrastructure, were proposed. In this sense, in order to protect the interest of investors, the principle of best execution was incorporated.

It should be mentioned that a constant communication with the intermediaries was maintained, both directly and through the Mexican Association of Trading Institutions, A.C., in order to know the possible impacts derived from the mentioned modifications.



2.5.2.4 INVESTMENT FUNDS

Composition of the sector and current situation

At the close of 2016, the number of entities comprising the investment funds sector amounted to 639, representing a variation of 3.2% compared to the closing of 2015.

As for the type of entities in operation, the number of operators remained unchanged, while the number of distributing companies, integrators, and referrers, as well as stock appraisers, decreased by one entity. In the case of the distributor and the appraiser, this was a consequence of their transformation into investment fund operators.

On the other hand, the number of funds in operation grew by 4% compared to 2015, where equity funds rose by 6.6%, while the debt funds increased 1.8% and capital funds decreased by 14.3%.

Number of contracts

By the end of 2016, the number of contracts in the sector showed an increase of 2.8%, of which 3.1% corresponded to debt funds and 0.8% to equity funds. With these figures, 88.1% of the total contracts keep having investments

in debt funds and 11.9% in equity funds. In the case of capital funds, these gather 0.01% of the sector's contracts.

Managed assets

The total assets managed by type of fund recorded the following increases at the end of 2016: for equity funds 7.8%, for debt funds 5.2%, and for capital funds 8.5%. In total, the assets managed by the sector showed an annual increase of 5.9%, despite 3.7% of customer outflows registered during the last quarter of the year, due to the international volatility caused by the results of the United States elections.

In the analysis of total assets managed by type of operator, the entities in which a credit institution, brokerage firm, or financial group (independent operators) does not participate showed an increase of 14%, followed by those in which a financial group participates in their capital, with 7.3%, those of brokerage firms with 2.3%, and those of credit institutions with a 3% decrease. In relation to total managed assets, at the end of 2016, financial group operators managed 61.6% of the resources, brokerage firms 29.6%, independents 6.5%, and credit institutions 2.4%.

Composition of the investment portfolio

In the composition of the investment portfolio, the total in government securities accounted for more than half of the total, with 56.5%, compared to 16.2% in equities and options, 13.2% in bank securities, 10.3% in investment fund shares, domestic and foreign, and 3.4% in private document. Investment in promoted companies accounted for 0.5% of the total portfolio.

However, compared to the end of 2015, investment in the following securities, as a fraction of the total investment portfolio of the sector, showed a decline: 1% in government securities, 0.2% in equities and options, 0.6% in private document, and 0.04% in promoted companies, while investment in bank securities grew 1.3% and mutual fund shares increased 0.6%.

INVESTMENT FUNDS

| Concept | 2015 | 2016 |
|---|------------------|------------------|
| Total number of entities | 619 | 639 |
| Operators | 39 | 39 |
| Comprehensive distributors | 6 | 5 |
| Referring distributors | 2 | 1 |
| Debt investment funds | 276 | 281 |
| Equity investment funds | 287 | 306 |
| Capital investment funds (Fincas) | 7 | 6 |
| Appraisers | 2 | 1 |
| Number of contracts | 2,119,607 | 2,179,093 |
| Debt investment funds | 1,861,862 | 1,919,211 |
| Equity investment funds | 257,696 | 259,746 |
| Capital investment funds (Fincas) | 49 | 136 |
| Total assets by type of IF (million MXN) | 1,933,509 | 2,048,187 |
| Debt investment funds | 1,400,993 | 1,473,863 |
| Equity investment funds | 522,689 | 563,663 |
| Capital investment funds (Fincas) | 9,827 | 10,661 |
| Total assets by type of operator (million MXN) | 1,933,509 | 2,048,187 |
| Credit institutions | 49,858 | 48,357 |
| Brokerage firms | 591,872 | 605,507 |
| Financial groups | 1,175,118 | 1,261,362 |
| Independent | 116,661 | 132,961 |
| Total investment portfolio (million MXN) | 1,927,727 | 2,031,939 |
| Government securities | 1,107,824 | 1,148,229 |
| Bank securities | 229,192 | 267,529 |
| Equity and options | 316,080 | 328,371 |
| Investment fund shares | 187,062 | 209,392 |
| Private document | 78,068 | 69,254 |
| Promoted companies | 9,501 | 9,164 |

IF = Investment Funds.

Source: CNBV, information provided by the entities in April 2017.

Supervisory activities

During the year, planned inspection visits in compliance with the PAV included a review of internal control, the risks of funds, and the level of adherence to the provisions of investment services, AML/CTF, as well as supervision over the distribution of investment fund shares in financial institutions that provide such service, such as banks and brokerage firms.

In particular, regular visits covered the following topics: composition of portfolios, incentives and possible conflicts of interest, internal control, organizational structure, comprehensive risk management, disclosure of information, investment services, and distribution of investment fund shares.

Observations and corrective measures were generated as a result of these activities, whose purpose is to improve the provision of services and internal controls of these entities for the benefit of customers and users.

The monitoring activities focused on verifying compliance with the applicable regulation, as well as on the prospectuses of each of the funds, in addition to the analysis of the financial statements of funds, operators, and distribution companies. In this sense, the main activities carried out during 2016 were the following:

- The analysis and identification of the operations carried out by investment companies and funds operators, between the second semester

of 2011 and the second semester of 2016, through the funds they administer and whose accumulated amount in each quarter exceeded the equivalent in pesos to 1,000,000 udis, with shares of issuers registered in the RNV, and whose holdings were higher than 10% of the issued shares.

- The verification of compliance with the investment regime provided for in the applicable regulations and in the prospectuses to the investing public, emphasizing on asset-backed securities, fiduciary stock certificates, and structured securities trading.
- The review of compliance with the minimum capital requirements provided for in the regulations.
- The verification of investment fund shares trading transactions, in accordance with the policy set forth in the corresponding prospectus.
- The quality review of the information of the regulatory reports sent by the entities of the sector.
- The collation of the deposit of the securities belonging to the funds in their respective accounts, opened in the Institution for the deposit of securities S.D. Indeval (Indeval).

2.5.2.5 AUXILIARY CREDIT ACTIVITIES AND ORGANIZATIONS

According to the LGOAAC, the CNBV is the supervisory authority of bonded warehouses, currently the only existing auxiliary credit organizations, and also of two types of auxiliary credit activities: currency exchange offices and SOFOM ERs. SOFOM ERs can be of four types:

- Those that have asset-related ties to a credit institution.
- Those that have asset-related ties to other regulated entities such as SOFIPOs, SOFINCOs, SOCAPs (with operation levels I to IV), and credit unions.
- Those that issue debt securities enrolled in the RNV, according to the LMV.

- Those who voluntarily adopted the regulatory regime.

Below, information on the supervision of the aforementioned sectors is presented.

Bonded warehouses

Composition of the sector and current situation

The sector comprises nineteen bonded warehouses with authorization of the SHCP, of which sixteen are in operation.

At the end of 2016, the total assets of the sector amounted to \$12.808 trillion MXN, taking into account that, of the warehouses in operation, the figures of two entities in special situations are not considered.

BONDED WAREHOUSES ¹

| Concept | 2015 | 2016 |
|--|---------------|---------------|
| Total number of operating entities² | 16 | 16 |
| Level I | 0 | 0 |
| Level II | 1 | 1 |
| Level III | 6 | 6 |
| Level IV | 9 | 9 |
| Certification | 54,332 | 58,408 |
| Direct warehouses | 21,087 | 23,218 |
| Enabled warehouses | 33,245 | 35,189 |
| Total assets (million MXN) | 12,651 | 12,808 |
| N5 ³ (%) | 88.76 | 89.53 |
| IHH ⁴ (entities) | 3 | 3 |
| Real estate, furniture, and equipment (million MXN) | 2,618 | 3,162 |
| N5 ³ (%) | 73.59 | 78.22 |
| IHH ⁴ (entities) | 6 | 6 |
| Main indicators (%) | | |
| Use of legal certification capacity ⁵ | 21.90 | 26.63 |
| Leverage ⁶ | 66.98 | 69.43 |
| ROA ⁷ | 1.47 | 2.95 |
| ROE ⁸ | 4.60 | 8.89 |

1/ For the information of the financial statements, the data relating to Almacenedora General and Almacenedora Logística Empresarial is not considered because they are currently in special situations.

2/ The sector comprises 19 authorized entities. Grupo Almacenedor Mexicano, Almacenedora Transunisa, and Almacenedora Gómez are not considered, since they are not operational.

3/ N5 = Percentage share in the sector assets of the five largest institutions as of December 2016: Afirme with 56.1%; Almacenedora Mercader with 13.0%; Accel with 7.5%; Almacenedora Sur with 7.4%; Banorte with 4.7%.

4/ IHH (entities) = Inverse of the Herfindahl-Hirschman Index. The number indicates the amount of entities that hold most of the market.

5/ On the occasion of the 2014 Financial Reform, the maximum certification capacity was reduced to 30 times the total equity, limit applicable to the total amount of negotiable certificates.

Use of legal certification capacity = Certificates of deposit issued in enabled warehouses / Legal certification capacity (30 times the total equity).

6/ Leverage = Total liabilities / Total assets.

7/ ROA (return on assets) = Net earnings, 12-month flow / Total assets, 12-month average.

8/ ROE (return on equity) = Net earnings, 12-month flow / Total equity, 12-month average.

Source: CNBV, With information provided by the entities in April 2017.

Supervisory activities

During 2016 the supervisory efforts in bonded warehouses were mostly focused on verifying normative compliance, given the entry into force of diverse provisions derived from the Financial Reform. These provisions include those related to the system and the automated registration of certificates of deposit and pledge bonds, the frequency of visits to enabled warehouses, the creation of a ratings committee, as

well as those that have to do with the establishment of basic security measures.

Among the main supervisory activities, the following stand out: the financial analysis with emphasis on the main exposures of the entity, the monitoring of the regulatory compliance indicators and the limit of the legal capacity of certification, as well as the calculation and investment of the contingency reserve to cover

claims for missing goods, debtors for services, and preventive estimates. Likewise, the correct and timely disclosure of financial information was reviewed.

In terms of inspection, the conducted visits were focused on the review of the operational and accounting process of certification and verification of the existence of stored goods, the correct disclosure of financial information, the contingency reserve, and the follow-up to issued observations, actions, and corrective measures.

Currency exchange offices

Composition of the sector and current situation

At the close of 2016, there were nine currency exchange offices authorized by the SHCP, whose total assets amounted to \$679 million MXN, without taking into account numbers from Casa de Cambio Prodira, since this entity is in a special situation.

CURRENCY EXCHANGE OFFICES¹

| Concept | 2015 | 2016 |
|---|------------|------------|
| Total number of entities | 8 | 8 |
| Non-grouped | 8 | 8 |
| Grouped with no bank | 0 | 0 |
| Total number of offices in the country | 125 | 124 |
| NS ² (%) | 97.6 | 96.0 |
| IHH ³ (entities) | 4 | 4 |
| Total assets (million MXN) | 613 | 679 |
| NS ² (%) | 79.31 | 78.79 |
| IHH ³ (entities) | 7 | 6 |
| Liquid assets margin⁴ | 362 | 423 |
| NS ² (%) | 71.34 | 71.74 |
| IHH ³ (entities) | 7 | 7 |
| Main indicators (%) | | |
| Leverage ⁵ | 28.05 | 25.80 |
| Capital stock yield ⁶ | 77.47 | 85.57 |
| ROE ⁷ | 4.16 | 12.03 |
| ROA ⁸ | 5.47 | 15.61 |

1/ The sector comprises nine currency exchange offices, but the information only takes into account eight entities. Prodira, S. A. de C. V. Casa de Cambio is under a special situation regarding its financial information, due to the fact that it restarted operations in December 2014, after not having operated for more than two years.

2/ NS = Percentage share in the sector assets as to December 2016 of the five major institutions: Divisas San Jorge with 25.3%, Globo with 17.2%, B & B with 14.7%, Order Express with 11.0%, and Imperial with 10.9%.

3/ IHH (entities) = Inverse of the Herfindahl-Hirschman Index. The number indicates the amount of entities that hold most of the market.

4/ Liquid assets margin = Liquid assets / Current liabilities.

Liquid assets = Availabilities + Investments in securities + Accounts receivable.

Liquid liabilities = Banking loans and from other bodies in the short term + Other accounts payable.

5/ Leverage = Total liabilities / Total assets.

6/ Capital stock yield = Stockholder's equity / Capital stock

7/ ROE (return on equity) = Net earnings, 12-month flow / Total equity, 12-month average.

8/ ROA (return on assets) = Net earnings, 12-month flow / Total assets, 12-month average.

Source: CNBV with information provided by the entities in April 2017.

Supervisory activities

In 2016, monitoring and follow-up efforts focused on the preparation of quarterly reports from financial analysis and the review of adequate information disclosure; the verification of the compliance of foreign currency trading transactions with the regulatory framework, as well as the analysis of the operational volume; the follow-up of the main financial indicators, highlighting those related to the valuation of liquidity and solvency risks; and the attention of the requests for opinion and consultation regarding capital increases and corporate restructurings.

On the other hand, the inspection work focused on verifying that the currency exchange offices had sufficient liquid resources to meet their immediate payment obligations; the existence of control systems for the contracting, liquidation, and accounting registration of foreign currency trading operations; and validating that the information of the accounting systems matches with that presented in the published financial statements and the regulatory reports sent to the CNBV.

In order to strengthen the stability and risk management of currency exchange offices, the supervision efforts

of the CNBV helped, among other things, to improve internal control processes, as well as the quality and reliability of financial information.

Multi-purpose financing companies, regulated entities

Composition of the sector and current situation

At the end of 2016, the SOFOM ER sector consisted of 50 entities, 3 less than 2015, derived from the following events:

- BNP Paribas (issuing company), was deregulated because of the cancellation of the stock certificates registered in the RNV.
- Arrendadora y Comercializadora Lingo (issuing company), changed from the SOFOM ER regime to the Limited Company regime (Sociedad Anónima or S.A. de C.V.).
- Sociedad Financiera Agropecuaria (entity with ties to a SOFIPO), ceased to be regulated by the CNBV (see section on relevant events in the SOFIPO sector).

OPERATIONAL INFORMATION

| Concept | 2015 | 2016 |
|---------------------------------|------|------|
| Number of entities in operation | 54 | 50 |
| Tied to banks | 13 | 15 |
| Tied to financial groups | 18 | 15 |
| Issuers | 20 | 18 |
| Voluntaries | 1 | 1 |
| Tied to a SOFIPO ¹ | 2 | 1 |

1/ These entities are not compelled to send information to the CNBV through regulatory reports.
Source: PES

Of the total number of entities that comprise the sector, fifteen consolidate their figures with those of the IBM to which they belong.

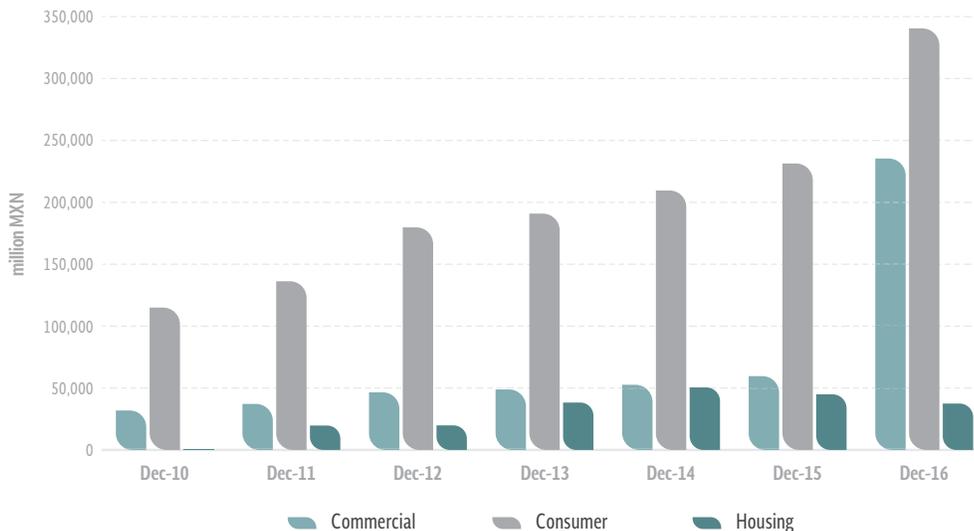
COMPANIES THAT CONSOLIDATE WITH AN IBM

| SOFOM ER | IBM |
|---------------------------------|-----------------|
| Tarjetas Banamex | Banamex |
| Servicios Financieros Soriana | |
| CF Credit Services | |
| Sociedad Financiera Inbursa | Inbursa |
| FC Financial | |
| Santander Consumo | |
| Santander Hipotecario | Santander |
| Santander Vivienda | |
| Financiera Ayudamos | BBVA Bancomer |
| Globalcard | Scotiabank |
| Financiera Bajío | Banco del Bajío |
| Banregio Soluciones Financieras | |
| AF Banregio | Banregio |
| Finanmadrid | CI Banco |
| Motus Invertere | Banco Autofin |

The activity of these entities, in general, was focused on financial leasing, financial factoring, and, to a lesser extent, the granting of consumer and housing

loans, although the possibility to conduct pure leasing and trading loan certificates and loan rights was also foreseen within the framework of their operations.

EVOLUTION OF THE SOFOM ER SECTOR'S LOAN PORTFOLIO (MILLION MXN)



Source: CNBV, with information provided by the entities in April 2017.

The total assets of the companies reached \$731.048 trillion MXN, as of December 2016 (98.7% more than in 2015). Their main product is the total loan portfolio, which represents 83.7% of the total assets and 95.7% of net earning assets.

It is important to note that, in relation to the previous year, the total loan portfolio grew by 82.6%. This is a reflection of the macroeconomic stability and the confidence of the national investors in the potential of the country's financial sector.

SOFOM ERS FINANCIAL INFORMATION (MILLION MXN)

| Concept | 2015 | 2016 |
|-----------------------------------|---------|---------|
| Total assets | 367,878 | 731,048 |
| Net earning assets ¹ | 324,219 | 639,268 |
| Total loan portfolio | 335,182 | 611,953 |
| Commercial | 59,465 | 234,863 |
| Consumer | 230,866 | 339,695 |
| Housing | 44,851 | 37,394 |
| Preventive estimates | -29,189 | -37,434 |
| Traditional deposit-taking | 1,009 | 0 |
| Loan granting income ² | 17,351 | 17,022 |
| Financial intermediation income | 28 | 1,000 |
| Results of operations | 20,817 | 24,962 |
| Net earnings | 14,644 | 19,033 |

1/ Net earning assets = Availabilities + Margin accounts + Investments in securities + Debtors under repurchase agreement + Derivatives + Performing loan portfolio.

2/ Loan granting income = Financial margin + Net commissions + Preventive estimates – Administrative and promotional expenses.

Source: CNBV, with information provided by the entities in April 2017.

The IMOR decreased by 2.1%, getting to 3.3%. The ICAP of the linked SOFOM ERs increased, compared to the previous year, from 15.1% to 15.8%, due to the

increase of net earnings in 30%, as a consequence of a greater granting of loans.

SOFOM ER MAIN INDICATORS (%)

| Concept | 2015 | 2016 |
|--|--------|--------|
| IMOR | 5.35 | 3.30 |
| TDA ¹ | n. a. | n. a. |
| ICOR | 162.63 | 185.28 |
| EPRC/CT | 8.71 | 6.12 |
| Liquidity ² | 2.92 | 10.34 |
| ICAP | 15.08 | 15.77 |
| Key equity / APSRT | 15.08 | 15.77 |
| Core capital / APSRT | 15.05 | 15.75 |
| Stockholder's equity / Total deposit-taking | 30.21 | 27.23 |
| ROE, 12 months | 19.16 | 14.18 |
| ROA, 12 months | 4.25 | 2.87 |
| Operational efficiency, 12 months ³ | 7.08 | 3.93 |
| % Non-financial income / total income ⁴ | 4.74 | 8.66 |
| MIN ⁵ | 15.72 | 10.19 |

1/ Not applicable, because entities, by provision, did not report information on write-offs and penalties for December 2016.

2/ Liquidity = current assets / current liabilities

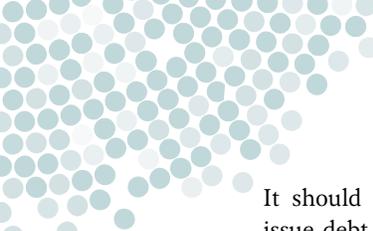
3/ Operational efficiency = administrative and promotional expenses (12-month flow) / net earning assets, 12-month average.

4/ Non-financial income = Operating lease result + other income + participation in subsidiaries.

Total income = financial margin + net commissions + financial intermediation income + non-financial income.

5/ MIN = financial margin / net earning assets.

Source: CNBV, with information provided by the entities in April 2017.



It should be mentioned that the SOFOM ERs that issue debt securities under their charge, registered in the RNV, do not apply to the presentation of the ICAP, in accordance with section V of Article 87 D of the LGOAAC. These entities are subject to the CUB, only for the following issues:

- Loan portfolio rating and creation of preventive estimates for loan risk.
- Disclosure and presentation of financial information and external auditors.
- Accounting.
- Prevention of transactions involving resources probably derived from illicit sources.

Linked SOFOM ERs

Supervisory Activities

As part of the supervisory activities of the CNBV and because the linked SOFOM ERs have some financial or operational support under a financial group or IBM, the following complementary supervisory activities were carried out to these companies:

- Review of the loan origination and management process (mainly of the consumer portfolio and commercial loans).
- Verification of the calculation of the preventive estimates for loan risks.
- The evaluation of the effectiveness of internal control and management of corporate risks.
- The permanent monitoring of regulatory compliance in terms of capital and operating limits (leasing, factoring, and related parties), to detect in due time the risks inherent to the company and promote the healthy development of the sector.
- The execution of periodic analysis reports on the operational and financial situation of the entities.

With the implemented actions, the CNBV contributed to the balanced development of the sector, particularly in the following aspects:

- The promotion of the strengthening of capital levels, mainly in those SOFOM ERs whose

solvency presented weaknesses.

- The solvency, delinquency, and coverage indicators of the sector's portfolio were strengthened in relation to 2016.
- The strengthening of risk management and the internal control system, with emphasis on issues related to the loan process, which allowed increasing the stability of the sector.
- The improvement in the financial information quality, which allows achieving greater integrity and reliability of the same, with emphasis on subjects such as disclosure of information and improvement in the quality and timeliness of regulatory reports.

Issuer and voluntary SOFOM ERs

Supervisory activities

Derived from the reform of the LGOAAC in January 2014, SOFOMs that issue debt securities under their charge, and those that expressed their willingness to be considered regulated entities, were included in the scope of regulation and supervision of the CNBV.

As a result of the above, as of July 2015, nineteen companies were transformed into regulated companies, and during 2016 monitoring and inspection processes were carried out in order to assess compliance with the regulations, as well as the degree of risk of their operations. Specifically, the tasks consisted of the following:

- Implementation of financial analysis and periodic reports on their financial structure, profitability, and loan risk.
- Assessment of compliance with regulatory indicators.
- Revisions aimed at verifying the requirements for a company to be considered SOFOM, as indicated in the LGOAAC.

The observations that were detected in the accomplishment of the aforementioned activities, led to the regularization of this new sector, leading the entities to carry out more effective compliance processes and raising awareness in the improvement of regulatory compliance.



2.5.2.6 CREDIT UNIONS

Composition of the sector and current situation

At year-end 2016, the credit union sector was composed of 90 entities in operation, of which eight have a level of operation II and the rest are in level I. During the year, five unions were revoked; two were transformed into SOFOM ENRs and one merged.

The total assets in December 2016 amounted to \$54.982 billion MXN, which implied an annual increase of 10.9% compared to 2015. Regarding the assets of the sector, 45.4% is concentrated in five entities: Ficein (11.2%), Industrial y Agropecuario de la Laguna (10.5%), Agricultores de Cuauhtémoc (9.7%), Progreso (7.0%), and Para la Contaduría Pública (6.9%).

Total liabilities, as of December 2016, were \$46.597 billion MXN, after registering an annual growth of 11.5%. Loans from banks, partners, and other organizations, accounted for 97.6% of this liability; its annual variation was 11.2% and its balance of \$45.474 billion MXN.

Regarding the term of these liabilities, short-term

loans (with a term of up to one year) had an increase of 5.3% in relation to the balance recorded in December 2015, and accounted for 73.4% of the total deposit taking. Long-term loans increased 33.5% in the same period and had a 26.6% share.

The stockholder's equity grew 7.6% during the year, to settle at \$8.385 billion MXN. The contributed capital had a share of 75.8% with a balance of \$6.357 billion MXN and was 0.6% higher than the previous year. The capital gain, with a balance of \$2.028 billion MXN, represented 24.2% and registered an annual increase of 37.8%.

The loan portfolio, as of December 2016, constituted 79.2% of the assets, with a balance of \$43.532 billion MXN and an annual growth of 12.8% in comparison to 2015. The loans documented with other guarantees (different from real estate) accounted for 54% of the total portfolio with \$23.518 billion MXN. The loans documented with real estate guarantee accounted for 37.2% of the total loan portfolio.

The IMOR of the total portfolio, at December 2016, stood at 2.4 and was 0.5 pp lower than that of

8/ Credit unions are classified into three levels of operation according to the minimum subscribed and paid-in capital. The authorization to operate at levels II and III is processed before the CNBV in accordance with what is established in Article 43 of the Credit Unions Act (LUC). In order to carry out factoring and leasing transactions, as well as to provide financing to other credit unions, the unions must be authorized to operate as level II or III. To perform trustee operations in guarantee trusts they must be authorized to operate in level III.

December 2015. It should be noted that it has been the lowest in the last six years.

Loans documented with real estate guarantees showed a decrease of 0.8 pp in this IMOR to reach

4.8%, while the delinquency of loans documented with other guarantees decreased 0.4 pp and registered a level of 0.7%. On the other hand, the IMOR of unsecured loans increased 0.6 pp to 2.3%.

IMOR CREDIT UNIONS

| IMOR Uniones de Crédito | December 2015 | December 2016 | pp variation annual |
|--------------------------------------|---------------|---------------|---------------------|
| Total loan portfolio | 2.89% | 2.35% | 0.54 |
| Documents with real estate guarantee | 5.51% | 4.76% | -0.75 |
| Documents with other guarantees | 1.07% | 0.68% | -0.39 |
| Unsecured | 1.70% | 2.28% | 0.58 |

Source: CNBV, with information provided by the entities in April 2017.

Traditional deposit-taking increased 11.2% to stand at \$45.474 billion MXN, as of December 2016, compared to \$40.895 billion MXN in December 2015. Loans from partners represent 70.8% of the deposit taking, which increased by 9.1% in the year, from \$29.534 billion MXN to \$32.214 billion MXN. Funding by banks and other agencies grew 16.7%, with a variation of \$11.361 billion MXN to \$13.259 billion MXN, representing 29.2%.

It is important to note that, in December 2016, the historical maximum in funding from banks and other agencies, mainly development banks, was reached, which is in line with the objectives of the Financial Reform and indicates a greater confidence in the evolution, performance, and strength of the sector.

At the end of December 2016, the accumulated net earnings were \$687 million MXN, 29.7% higher than the same month of the previous year. This is

mainly explained by the increases of \$297 million MXN (16.1%) in the financial margin; of \$20 million MXN (97.7%) in the share of unconsolidated and associated subsidiaries; of \$5 million MXN (5.5%) in net fees and commissions; and of \$4 million MXN in the financial Intermediation income. In addition, it is important to note that the increase in the utility of the sector was driven mainly by small credit unions with assets between 100 and 200 million MXN.

As a result, the ROA and ROE ratios at the end of 2016 were 1.3% and 8.5%, respectively, which represents the best level of profitability in the sector in the last five years.

At year-end 2016, the sector's ICAP was 16.9%, which is above the prudential minimum of 8%. It should be mentioned that this indicator has remained at this level during the last six years.

CREDIT UNIONS SECTOR ICAP EVOLUTION (PERCENTAGES)



Source: CNBV, with information provided by the entities in April 2017.

CREDIT UNIONS¹ (MILLION MXN AND PERCENTAGES)

| Concept | 2015 | 2016 |
|--|---------------|---------------|
| Number of entities in operation | 98 | 90 |
| Number of authorized entities | 98 | 90 |
| Total number of offices/branches | 20 | 22 |
| Total assets | 49,594 | 54,982 |
| NS ² (%) | 43.98 | 45.35 |
| IHH ³ (%) | 511 | 549 |
| IHH ³ (entidades) | 20 | 18 |
| Net earning assets | 45,407 | 50,484 |
| Total portfolio | 38,572 | 43,532 |
| Commercial | 38,572 | 43,532 |
| Documented with real estate guarantee | 15,242 | 16,196 |
| Documented with other guarantees | 19,385 | 23,518 |
| Unsecured | 3,872 | 3,727 |
| Factoring operations | 66 | 63 |
| Leasing operations | 7 | 28 |
| NS ² (%) | 44.48 | 46.34 |
| IHH ³ (%) | 510 | 560 |
| IHH ³ (entities) | 20 | 18 |
| Preventive estimates | 855 | 899 |
| Total liabilities | 41,803 | 46,597 |
| Bank, partner, and other liabilities | 40,895 | 45,474 |
| Short-term | 31,719 | 33,404 |
| Long-term | 9,176 | 12,070 |
| NS ² (%) | 45.93 | 47.02 |
| IHH ³ (%) | 552 | 589 |
| IHH ³ (entities) | 18 | 17 |
| Stockholder's equity | 7,791 | 8,385 |
| Contributed capital | 6,320 | 6,357 |
| Capital gain | 1,471 | 2,028 |
| Net earnings | 530 | 687 |
| Main indicators (%) | | |
| IMOR ⁴ | 2.89 | 2.35 |
| ICOR ⁵ | 76.77 | 87.9 |
| EPRC/CT | 2.22 | 2.06 |
| ROE ⁶ | 6.96 | 8.5 |
| ROA ⁷ | 1.13 | 1.33 |
| Solvency (ICAP) ⁸ | 17.66 | 16.87 |
| Liquidity ⁹ | 25.06 | 23.87 |
| Leverage ¹⁰ | 84.29 | 84.75 |
| Administrative and promotional expenses / Total operating income | 30 | 26.36 |
| Personnel costs / Total operating income | 14.67 | 15.43 |
| Net earnings / Total operating income | 10.62 | 11.38 |
| Return on capital stock ¹¹ | 12.02 | 10.39 |
| Number of reporting entities | 93 | 87 |

1/ Of the 90 entities in operation, the information of 87 that delivered it in a timely manner is considered, in accordance with the general provisions applicable to the sector.

2/ NS = Defined with the percentage participation in the sector's assets, as of December 2016, of the five largest institutions: UC Ficein, UC Industrial y Agropecuario de la Laguna, UC Agricultores de Cuauhtémoc, UC Progreso, and UC Para la Contaduría Pública

3/ IHH = Inverse of the Herfindahl-Hirschman Index. The number indicates the number of entities that would distribute the market equally.

4/ IMOR = non-performing loan portfolio / total loan portfolio.

5/ ICOR = preventive estimates for loan risks / non-performing loan portfolio.

6/ ROE = net earnings accrued in 12 months / average stockholder's equity in 12 months.

7/ ROA = net earnings accrued in 12 months / average total assets in 12 months.

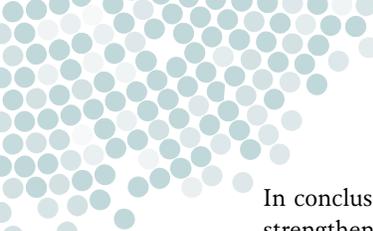
8/ ICAP = capitalization index = net capital / total weighted assets subject to risk.

9/ Liquidity = availabilities + investments in securities / short-term liabilities.

10/ Leverage = assets / liabilities

11/ Return on capital stock = net earnings / capital stock

Source: CNBV, Information provided by entities in April 2017.



In conclusion, the figures show a significant financial strengthening; in general, the sector is consolidated and capitalized, which is reflected in increased confidence by the financial institutions that have increased funding resources.

Unions that present an adverse financial situation are constantly supervised by the CNBV by monitoring the capital restoration programs and the corrective measures that have been taken in each case.

Supervisory activities

In addition to the off-site supervision, which consists of the analysis of the financial information sent by financial institutions, 29 regular on-site and 2 special visits were performed in 2016.

The supervision work carried out during this year focused mainly on reviewing the following topics:

- The implementation and proper functioning of corporate management and internal control.
- The correct rating of the portfolio and implementation of preventive provisions.
- The adequate registration and disclosure of performing and non-performing portfolio, mainly of loans that were subject of treatment.
- The performance of the functions of the entities according to the level of operations authorized to them.
- The operation of the entities, which must be carried out in accordance with the limits established by law or, where applicable, those authorized.

Additionally, in the area of supervision, the following activities were carried out:

- As part of the implementation of the RBA, in June 2016, a pilot test was carried out in one entity, which allowed to identify in a timely manner some situations, their origin, and the possible consequences in case of not taking immediate action.
- The implementation of analysis workgroups with the participation of the supervision team, in which exceptional situations or cases are analyzed, points of view are presented, and a single inspection criterion is agreed upon. This

was carried out observing at all times what was established by the law and the applicable provisions. Based on what was agreed in the analysis rounds, internal information newsletters directed to the supervisors of the sector were implemented, which allows standardizing inspection criteria.

- The development of instructional material for filling operational regulatory reports, to improve the quality of the information sent by the credit unions. In addition, a validator guide of accounting regulatory reports, emphasizing the structure, format, data required, data not required, and catalog information was provided. The instructional material and the guide were added into the Interagency Information Transfer System (SITI) for on-line consultation.
- Direct outreach to the sector or through meetings with the Mexican Council of Credit Unions (Conunion), the Regional Council of Credit Unions (CRUC) and representatives of the non-affiliated unions. These meetings had the purpose of:
 - Knowing about supervision concerns.
 - Getting opinions on secondary regulation projects.
 - Analyzing and channeling the various consultations on regulatory and accounting issues.
 - Detecting training requirements.

First merger in the sector

In June 2016, the Governing Board authorized the first merger since the issuance of the LUC, between two credit unions: Unión de crédito para la contaduría pública, S.A. de C.V. (UNICCO) and CYMA unión de crédito, S.A. de C.V. (CYMA).

This is relevant because, due to the use of economies of scale from the growth in assets, the financial performance of the merging union is optimized. This leads to higher revenues, avoids redundant expenses, improves liquidity and solvency indicators, and generates new sources of funding in the short term. The merger also becomes important as it expands its presence in the Bajío region.

It should be noted that, as a result of the merger, the ICAP of the entity is above the minimum recommended; and a positive performance of its net earning assets and a non-performing portfolio below 2% have also been achieved.

All of this represents an important achievement for the sector, as there are a considerable number of entities that could adopt the same scheme in order to gain more strength.

2.5.2.7 POPULAR FINANCE

During 2016, the CNBV carried out various activities to monitor the popular finance sector. Actions such as the improvement or strengthening of the regulatory policy and the implementation of an RBA methodology were combined, with the objective to achieve a capitalized sector with experience and installed capacity, as well as to allow the improvement of its products and human capital, while lowering time, costs, and risks at the same time. The main actions are listed below:

- The design of a communication and coordination mechanism among the different areas within the CNBV, based on which the processes and stages in which each of the administrative units participated were identified, in order to issue responses to the entities of the sector in a timely manner.
- The establishment of an outreach program between the popular finance sector and the CNBV, from which meetings and working groups were held with the sectors, the federations, the Fund Protection Committee, and the Auxiliary Supervision Committee. Representatives of the different entities that operate in the popular savings and loan sector participated in these meetings, as well as the various financial, technological, and money laundering prevention teams, and different areas of matrix attention, in order to help them in the development and professionalization of the sector.
- The design and implementation of a system for the exploitation and analysis of financial information that reduces and optimizes the time of the supervision processes; with this, it was possible to reduce the issuance periods of the observation documents, corrective actions, and request of sanctions. In addition, the

issuance of documents for the follow-up to the corrective actions was incorporated, in order to provide legal certainty on the status of the actions instructed by the CNBV.

Savings and loan cooperatives

Composition of the sector and current situation

At the end of 2016, the SOCAP sector comprised 152 operating entities.

In 2016, the dynamism of the Mexican economy was lower than that reported in 2015, since annual GDP growth decelerated to 2.3% in 2016, compared to 2.6% in 2015; however, the SOCAP sector achieved positive results.

Total assets as of December 2016 were \$117.777 billion MXN, entailing an increase of \$16.731 billion MXN, 16.5% more than in the previous year, mainly due to a 16.8% traditional deposit-taking growth, which stood at \$95.321 billion MXN on the same date.

Investments in securities and repurchase transactions (total investment portfolio) at the end of 2016 amounted to \$41.415 billion MXN, representing a year-on-year increase of \$7.364 billion (21.6%); these operations together represented 35.2% of the total assets of the sector, being the second item in importance in the balance sheet.

The total portfolio increased by \$7.967 billion MXN compared to 2015, bringing it to \$72.485 billion at the end of 2016, which represents an increase of 12.3% in annual terms. Consumer loans grew at the same rate by constituting 82.7% of the total portfolio. The growth in loans was accompanied by a non-performing portfolio indicator lower than that recorded during 2015. This situation was reflected in an IMOR of 4.4%, which meant an improvement

of 84 BPS over the previous year. This aspect shows a growth with operating practices in the sector that have reasonably mitigated loan risk.

On the other hand, stockholder's equity stood at \$19.473 billion MXN, which represented an increase

of 17.3% over 2015, mainly due to the results of the year, which contributed 87.4% of said increase. This is reflected in a Nicap of the sector of 278.8% as of December 2016, 915 BPS greater than that reported the previous year in the same month.



As a result of the growth in lending activity and the lower level of delinquency during the year, lower costs were generated in the preventive estimates for loan risks, which are reflected in a 15% increase in the financial margin adjusted for loan risks (Mafar), standing at \$9.621 billion MXN at the close of 2016.

This growth rate was proportionally higher than that reported in administration and promotion expenses, which grew by \$568 million MXN, 7.7% over the

previous year, which placed the ROA at 2.3% at the end of 2016, 36 BPS higher than that reported in the previous year.

Lastly, the sector shows progress on access to financial services, for the authorization and start-up of operations of seven new entities, which has reported 1,919 service access points at the end of the year, which allows for increased customer service.

SAVINGS AND LOAN COOPERATIVES (MILLION MXN)

| Concept | 2015 | 2016 |
|---|----------------|----------------|
| Number of entities in operation | 146 | 152 |
| Level I | 46 | 49 |
| Level II | 58 | 60 |
| Level III | 41 | 42 |
| Level IV | 1 | 1 |
| Number of authorized entities | 146 | 152 |
| Total number of offices/branches | 1,900 | 1,919 |
| Level I | 151 | 160 |
| Level II | 400 | 377 |
| Level III | 1305 | 1338 |
| Level IV | 44 | 44 |
| Total assets (million MXN) | 101,046 | 117,777 |
| NS ¹ (%) | 53.4 | 53.1 |
| IHH | 1,291 | 1,319 |
| IHH ² (entities) | 8 | 8 |
| Net earning assets (million MXN) | 95,191 | 110,720 |

| Concept | 2015 | 2016 |
|---|---------------|---------------|
| Total portfolio (million MXN) | 64,518 | 72,485 |
| Commercial | 7,321 | 8,122 |
| Consumer | 53,293 | 60,000 |
| Housing | 3,904 | 4,363 |
| N5 ¹ (%) | 55.5 | 54.8 |
| IHH | 1,497 | 1,505 |
| IHH ² (entities) | 7 | 7 |
| Preventive estimates (million MXN) | 4,072 | 4,069 |
| Traditional deposit-taking (million MXN) | 81,620 | 95,321 |
| N5 ¹ (%) | 53.7 | 53.3 |
| IHH | 1,539 | 1,358 |
| IHH ² (entities) | 6 | 7 |
| Stockholder's equity | 16,598 | 19,473 |
| Main indicators (%) | | |
| IMOR ³ | 5.2 | 4.4 |
| ICOR ⁴ | 120.7 | 128.0 |
| EPRC/CT | 6.3 | 5.6 |
| ROE ⁵ | 11.9 | 14.0 |
| ROA ⁶ | 1.9 | 2.3 |
| Solvency (Nicap) ⁷ | 269.6 | 278.8 |
| Liquidity | 42.2 | 41.2 |
| Leverage ⁸ | 83.6 | 83.5 |
| Adequacy to capital requirement | 269.6 | 278.8 |
| Administration and promotion expenses / Total operational income ⁹ | 57.1 | 54.3 |
| Net earnings / Total operational income | 14.2 | 17.1 |
| Return on capital stock | 24.6 | 30.4 |
| Investments in securities | 27,435 | 33,654 |
| Total investment portfolio | 34,050 | 41,415 |
| Debtors under repurchase agreements | 6,615 | 7,761 |
| Mafar | 8,346 | 9,621 |
| Administration and promotion expenses | 7,393 | 7,961 |
| Net earnings | 1,840 | 2,509 |
| Real estate, furniture, and equipment | 3,203 | 3,630 |
| N5 ¹ (%) | 29.2 | 32.2 |
| IHH | 536 | 579 |
| IHH ² (entities) | 19 | 17 |
| N5 concentration index¹ (%) | | |
| Total portfolio | 55.5 | 54.8 |
| Commercial | 17.7 | 16.4 |
| Consumer | 61.0 | 60.3 |
| Housing | 50.1 | 51.2 |
| IHH concentration index | | |
| Total portfolio | 1,497 | 1,505 |
| Commercial | 363 | 358 |
| Consumer | 2,055 | 2,036 |
| Housing | 1,050 | 898 |
| IHH concentration index² (entities) | | |
| Total portfolio | 7 | 7 |
| Commercial | 28 | 28 |
| Consumer | 5 | 5 |
| Housing | 10 | 11 |
| Number of reporting entities | 146 | 151 |

1/ N5 = Defined with the percentage share in the sector assets, as of December 2016, of the five major institutions: Caja Popular Mexicana, with 62.7%; Caja de Ahorro de los Telefonistas, with 22.6%; Caja Morelia Valladolid, with 6.4%; Coopdesarrollo, with 4.4%, and Caja Real del Potosí, with 3.9%.

2/ IHH (entities) = Inverse of the Herfindahl-Hirschman Index. The number indicates the amount of entities that hold most of the market.

3/ IMOR = Delinquency index: non-performing portfolio / total portfolio (performing + non-performing).

4/ ICOR = Coverage index: preventive estimates for loan risks / non-performing portfolio.

5/ ROE = Net earnings accrued (12 months) / average stockholder's equity in 12 months.

6/ ROA = Net earnings accrued (12 months) / average total assets in 12 months.

7/ Nicap = Net capital / capital requirements for risks.

For the figures of 2015, the data is up to the month of November.

8/ Leverage = Total liabilities / total assets

9/ Total income = Interest income + fees charged + results of operations + other operating income

Source: CNBV, with information provided by the entities in April 2017.

Supervisory activities

During 2016, supervisory activities to promote the proper functioning of authorized SOCAPs were carried out. In this sense, to correct the observations detected in the inspection and monitoring activities, corrective programs were established regarding internal control, loan process and risk management, creation and generation of financial information, capitalization levels, preventive estimates for loan risks and foreclosed assets, profitability and operating expense, and liquidity levels. In addition, due attention was paid to these corrective measures and to the general evolution of the entities of the sector.

As a result of the supervisory activities, the following achievements were obtained:

- Strengthening of substantive work.
 - Authorized companies received formal notifications of the observations on critical impact factors affecting their profitability, such as loan process, risk management, internal control, and operational expenditure. This aspect had an impact on the improvement in the ROA of the sector at the close of 2016.
 - Meetings, forums, and workshops were held in order to strengthen supervision, avoid duplication, and generate economies of scale in resources that translate into better monitoring and timelier risk detection in the entities. These meetings were held between supervisors of the Auxiliary Supervisory Committee of the Fund for the Auxiliary Supervision of Savings and Loan Cooperatives and for the Protection of its Savers (FOCOOP) and supervisors of the CNBV, for the exchange of information on technical aspects and supervision tools, as well as to agree on coordination actions between both supervisory instances of the sector.
 - The strengthening of capitalization was promoted, especially in those entities whose solvency showed some weakness and in which capital restoration programs were required. At the end of 2016, eight SOCAPs achieved a Nicap of over 150%, which places them in category I, compared to the previous year in which they were located in category II, which is above 100% of the mandatory, but below 150%.
- Development of an inclusive sector, in line with the best practices in the financial sector.
 - The regularization process of the savings and loan cooperatives sector has made progress so that the partners of these companies operate in regulated and supervised entities and may offer a greater financial products and services offering to individuals and companies with zero or marginal attention from credit institutions.
 - Meetings were scheduled between the CNBV and representatives of the sector on a quarterly basis, in order to improve communication, discuss common issues, and take a precautionary approach to the risks faced by SOCAPs.
 - In order to seek an orderly exit from SOCAPs that did not obtain authorization from the CNBV to join the sector, and also to facilitate the absorption of savers by the authorized entities, several strategies were carried out in collaboration with the Trust for the Management of Funds for the Strengthening of Savings and Loan Cooperatives and Companies and for the Support to their Savers (Fipago). At all times, the objective was to minimize the impact on the partners' assets and to preserve financial services in the communities.
 - Through contributions made by the new authorized SOCAPs, the deposit insurance of FOCCOP was strengthened, whose balance as of December 31st, 2016 amounted to \$1.182 billion MXN.
 - In order to contribute to the execution of the legal actions carried out by judicial authorities and defrauded private entities, against possible irregular deposit-takers, 66 consultations were attended clarifying their legal and regulatory situation.

9/ The institutions classified at the basic level, as provided by Article 13 of the Law to Regulate the Activities of Savings and Loan Cooperatives (LRASCAP), are not compelled to request authorization from the CNBV, provided that their assets are less than equivalent in national currency to 2,500,000 udis, with the possibility of carrying out only the savings, loan, and service activities foreseen in the LRASCAP, and with the characteristic that its savers do not have the protection of the deposit insurance provided in the aforementioned law.

Relevant events

In order to consolidate the sector and in order to expand the participation of the CNBV as a relevant player in the SFM, considering its importance in favor of the inclusive development for the benefit of society, the following activities were carried out:

- Attention to SOCAP authorization requests.
- Follow-up to the orderly exit processes of:
 - Entities that received unfavorable opinions from FOCOOP.
 - Entities that received negative rulings on review appeals.
 - Companies that, despite having submitted an application for authorization to the CNBV, were considered as not viable.
- Follow-up to the assessments of the SOCAPs with a basic operations level.

During the year, mergers and processes of transmission of assets and liabilities were presented in the following manner:

- An authorized SOCAP merged with an entity in the process of authorization.
- Absorption of assets and liabilities between two authorized SOCAPs.
- Six authorized SOCAPs absorbed assets and liabilities of eight companies that did not obtain authorization.

In addition, the process of transferring assets and liabilities of Caja Cristo Rey to Cooperativa Acreimex with resource support from the FOCOOP was supervised. In this process, it was achieved that no saver from Caja Cristo Rey suffered from a loss in assets. Subsequently, this entity was revoked when entering into a state of dissolution and settlement.

As a result of the processes mentioned in the two previous paragraphs, authorized SOCAPs received funding resources of \$523 million MXN, corresponding to more than 51,000 partners.

Finally, with FOCOOP resources, the payment of 646 requests for support from savers of Caja Solidaria Bahía, entity revoked in 2015, was performed. Through this fund, all of the submitted payment applications were attended, which represented 58.5% of savers who reported a net balance greater than \$1,000 MXN. Said claims totaled \$10.2 million MXN, and accounted for 78.5% of the amount of savings covered under the LRASCAP.

Popular financing companies

Composition of the sector and current situation

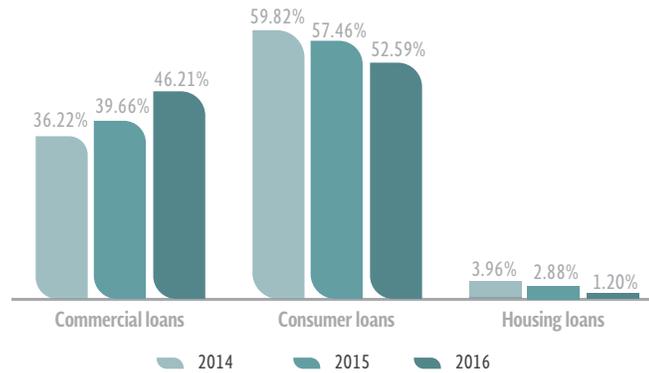
At year-end 2016, the SOFIPO sector comprised 43 entities in operation. During the year, one company started operations and three were revoked.

In general, the growth of the sector has been positive. By December 2016, the total assets were \$31.283 billion MXN, which represented an increase of 16%, of which 75.7% was concentrated in seven companies: Libertad, CAME, Akala, Te cremos, Fincomún, Coincidir, and Bienestar. Also, the number of customers rose to 3.6 million, an increase of 6.1% over the previous year.

The total loan portfolio for December 2016, constituted 71.6% of the total assets of the sector, with a balance of \$22.391 billion MXN and an annual growth of 21% compared to 2015; in this regard, the following points stand out:

- The growth of the loan portfolio is reflected in an improvement of \$6.605 billion MXN in the financial margin, which represents an increase of 15.6% compared to 2015, despite higher requirements of preventive estimates for loan risks.
- Commercial loans grew 41% (46.2% of the total portfolio, \$10.347 billion MXN), while consumer loans grew 10.8% (52.6% of the total portfolio, \$11.776 billion MXN). Housing loans have declined over the last three years, with a balance of \$268 million MXN as of December 2016 and a 1.2% share of the total portfolio, reflecting less movement in the housing sector.
- The portfolio comprised 605 products at the end of 2016: 270 of which were commercial, 303 consumer, and 32 housing.

SOFIPO SECTOR LOAN PORTFOLIO COMPOSITION



Source: CNBV, with information provided by the entities in April 2017.

The growth in loans has been accompanied by non-performing portfolio indicators higher than those recorded during 2015, which is reflected in an IMOR of 9.8%.

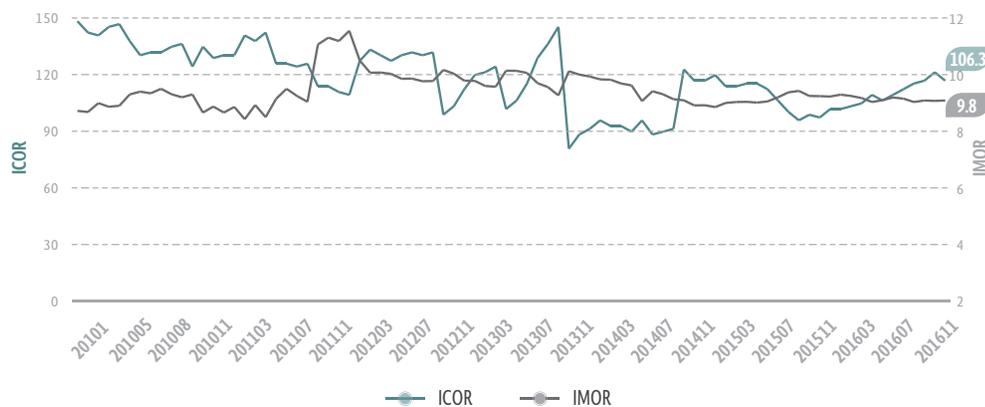
FINANCIAL INDICATORS OF SOFIPO SECTOR PORTFOLIO

| 2015 | | 2016 | |
|------|-------|------|-------|
| IMOR | ICOR | IMOR | ICOR |
| 8.5% | 108.6 | 9.8% | 106.3 |

Source: CNBV, with information provided by the entities in April 2017.

It is important to mention that IMOR remains stable and within the usual range of the sector. The ICOR complies with the established estimation parameters, staying above the minimum coverage.

SOFIPO SECTOR IMOR AND ICOR



Source: CNBV, with information provided by the entities in April 2017.

10/ The ordinary coverage is 100%.

As for securities investments, at the close of 2016 they amounted to \$3.73 billion MXN, which represented a decrease of \$481 million MXN (11.4%) annually. As a result, as of December 2016 investments in securities accounted for 11.9% of the total assets, a percentage lower than the 15.6% registered at the close of 2015.

The liabilities of the sector were, as of December 2016, at \$25.135 billion MXN, or \$2.98 billion MXN more than in 2015. This indicates an increase of 13.5%, which is why by the end of 2016, they represented 80.3% of total assets. It should be noted that 62.6% of total liabilities

are concentrated in seven companies: Libertad, CAME, Akala, Te cremos, Fincomún, Coincidir, and Bienestar.

Traditional deposit taking (demand deposits, term deposits, and debt securities issued) remains as the main source of funding, with 80.5% of total liabilities. In annual terms, there was a growth of 10% (\$1.832 billion MXN) which reached \$20.232 billion MXN, due to the increase in demand deposits and term deposits in 12.5% and 9.5%, respectively. The balance of these items was \$4.308 and \$15.524 billion MXN correspondingly.

| Traditional deposit-taking | 2015 | | 2016 | |
|----------------------------|---------------|---------------|---------------|---------------|
| | Amount | % | Amount | % |
| Demand deposits | 3,829 | 20.8% | 4,308 | 21.3% |
| Term deposits | 14,171 | 77.0% | 15,524 | 76.7% |
| Debt securities issued | 400 | 2.2% | 400 | 2.0% |
| Total | 18,400 | 100.0% | 20,232 | 100.0% |

Source: CNBV, with information provided by the entities in April 2017.

Stockholder's equity, reached \$6.148 billion MXN as of December 2016, which represented an increase of 27.5% compared to 2015, mainly due to the increase of \$355 million MXN in the capital gain, which amounted to \$373 million MXN at the close of 2016. This is due to the reduction of accumulated losses in prior year results, which stood at -\$122 million MXN, generating an improvement of 68.5% compared to the previous year, whose annual variation represented 20% of the growth of stockholder's equity in 2015.

The accumulated net earnings at the close of fiscal

year 2016 were \$335 million MXN, which represents an increase of 33.5% over the previous year, due to the growth of interest income of \$1.045 billion MXN. This indicates a 15.4% progress in annual terms, maintaining a difference of interest expenses of 14.5% with respect to 2015. The institutions with the best results were: Libertad, CAME, Te cremos, and Crediclub, which accounted for 95.2% of the net earnings.

Because of this, at the end of 2016, the ROA and ROE ratios were 1.2% and 6.2% respectively.

POPULAR FINANCING COMPANIES (MILLION MXN)

| Concept | 2015 | 2016 |
|---|---------------|---------------|
| Number of entities in operation | 45 | 43 |
| Level I | 33 | 31 |
| Level II | 5 | 6 |
| Level III | 6 | 5 |
| Level IV | 1 | 1 |
| Number of authorized entities | 48 | 45 |
| Total number of offices/branches | 1,093 | 1,198 |
| Level I | 270 | 252 |
| Level II | 243 | 354 |
| Level III | 385 | 393 |
| Level IV | 195 | 199 |
| Total assets | 26,978 | 31,283 |
| N5 ¹ (%) | 0.7 | 65.3 |
| IHH | 1,989 | 1,671 |
| IHH ² (entities) | 5 | 6 |
| Net earning assets | 22,598 | 25,809 |
| Total portfolio | 18,500 | 22,391 |
| Net earning assets | 7,336 | 10,347 |
| Total portfolio | 10,630 | 11,776 |
| Net earning assets | 533 | 268 |
| N5 ¹ (%) | 70.2 | 73.9 |
| IHH | 2,187 | 2,262 |

| Concept | 2015 | 2016 |
|---|---------------|---------------|
| IHH ² (entities) | 4.6 | 4.4 |
| Total loan portfolio plus guarantees | N.D. | 22,392 |
| Total loan portfolio plus guarantees and endorsements | N.D. | 23,049 |
| Preventive estimates | 1,706 | 2,342 |
| Traditional deposit-taking | 18,400 | 20,232 |
| N5 ¹ (%) | 77.5 | 75.5 |
| IHH | 2,499 | 2,345 |
| IHH ² (entities) | 4.0 | 4.3 |
| Main indicators (%) | | |
| IMOR ³ | 8.5 | 9.8 |
| ICOR ⁴ | 108.6 | 106.3 |
| EPRC/CT | 9.2 | 10.5 |
| ROE ⁵ | 6.3 | 6.2 |
| ROA ⁶ | 1.0 | 1.2 |
| Solvency | 17.9 | 19.7 |
| Liquidity ⁷ | 30.8 | 27.8 |
| Leverage ⁸ | 82.1 | 80.4 |
| Adequacy to Capital Requirement (Nicap) ⁹ | 177.5 | 175.4 |
| Administration and promotional expenses / Total operations income | 67.2 | 62.1 |
| Net earnings total / Operations income | 3.5 | 3.8 |
| Return on capital stock ¹⁰ | 19.2 | 17.3 |
| Securities of clients received in custody | N.D. | 49 |
| Trust securities | N.D. | 13 |
| Others | N.D. | 7,726 |
| Investments in securities | 4,211 | 3,730 |
| Total investment portfolio | 4,211 | 3,730 |
| Debtors under repurchase agreements | N.D. | 578 |
| Net earnings | 251 | 335 |
| Real estate, furniture and equipment | 1,161 | 1,291 |
| N5 ¹ (%) | 68.3 | 75.9 |
| IHH | 1,955 | 1,945 |
| IHH ² (entities) | 5.1 | 5.1 |
| Total portfolio | 70.2 | 67.9 |
| Commercial | 60.4 | 54.4 |
| Consumer | 79.2 | 80.4 |
| Housing | 25.2 | 47.1 |
| IHH concentration index | | |
| Total portfolio | 2,187.4 | 2,185.5 |
| Commercial | 1,243.8 | 1,106.1 |
| Consumer | 5,372.7 | 5,343.1 |
| Housing | 3,055.8 | 3,180.2 |
| IHH concentration index (entities) | | |
| Total portfolio | 4.6 | 4.6 |
| Commercial | 8.0 | 9.0 |
| Consumer | 1.9 | 1.9 |
| Housing | 3.3 | 3.1 |
| Total liabilities | 22,155 | 25,135 |
| Stockholder's equity | 4,823 | 6,148 |
| Capital gain | 18 | 373 |
| Contributed capital | 4,806 | 5,775 |
| Interests gained | 6,786 | 7,831 |
| Interest expenses | 1,071 | 1,226 |
| Financial margin | 5,716 | 6,605 |
| Number of clients | 3,395,468 | 3,603,009 |
| Number of reporting entities | 44 | 43 |

1/ N5 = Defined with the percentage share in the assets of the sector, as of December 2016, of the five largest companies: Libertad, CAME, Akala, Te creemos, and Fincomún.

2/ IHH (entities) = Inverse of the Herfindahl-Hirschman Index. The number indicates the amount of entities that hold most of the market.

3/ IMOR = Delinquency index: non-performing portfolio / total portfolio (performing + non-performing).

4/ ICOR = Coverage index: preventive estimates for loan risks / non-performing portfolio.

5/ ROE = Net earnings accrued (12 months) / 12 months average balance of the stockholder's equity.

6/ ROA = Net earnings accrued (12 months) / 12 months average balance of the total assets.

7/ Liquidity = availabilities + investments in securities / short-term liabilities

8/ Leverage = liabilities / assets

9/ Adequacy to capital requirement = net capital / capital requirements for risks.

10/ Return on capital stock = net earnings / capital stock

Source: CNBV, information provided by the entities in April 2017.

The progress in the performance of the sector has been accompanied by levels of capitalization above regulatory requirements and international parameters. At the close of fiscal year 2016, the Nicap was 175.4%, 2 pp lower than in 2015.



Source: CNBV, information provided by the entities in April 2017.

Supervisory activities

During 2016, actions were taken to strengthen the sector and ensure its proper functioning, so that the supervisory activities monitored the financial evolution of the sector as a whole, the adequate management of corporate risks, the improvement of its internal control and corporate management systems, and the verification of the attention paid to the programs and corrective actions instructed by the CNBV.

Among the main monitoring activities carried out are the following:

- Development of periodic financial analysis reports by each of the companies, in order to monitor their financial situation and corroborate the congruence between their business models and their strategies, plans, and budgets.
- Analysis of the composition of the deposit taking by investment ranges, in order to evaluate concentrations of high-amount deposits in some companies and the percentage of coverage that could be granted, as the case may be, by the deposit insurance offered by the Protection Fund.
- Follow-up of the capitalization levels, in order to monitor compliance with the current regulatory limit. Also, in the face of the entry into force of

the early capital alerts, official letters were sent requesting information on the actions that some companies must implement aiming to reach the new regulatory limit that places them in category I.

- Promotion of preventive measures to keep entities from incurring risks that limit or compromise their solvency or viability.
- Encouragement for companies to carry out internal capital adequacy assessment processes, in the face of adverse macroeconomic conditions, in order to anticipate potential contingencies in terms of solvency.
- Continuity of the regularization process for hiring third-party and correspondent services, action derived from the implementation of the Financial Reform.
- In terms of inspection, regular visits were made to review loan processes, with the purpose of making transparent the quality of portfolios, the correct rating, and the adequate provisioning of reserves for loan risks. Likewise, other aspects such as the deposit taking, the correct calculation of the Nicap, the profitability of the companies, the levels of liquidity, the implementation of the internal control system, and the comprehensive risk management were reviewed.

11/ The regulation established a capitalization level index greater than or equal to 100% for the year 2016.

- In order to have more information about the supervised entities, a project was carried out to modify the provisions related to the delivery of regulatory reports. From this project, it is expected to have more complete and robust information, delivered in a timelier manner by all entities, regardless of their level of operation.

Supervisory activities were a fundamental element for the stability and evolution of the sector, foreseeing its consolidation and its repositioning as a relevant actor in the SFM. All of this translates into benefits for society and affects measures that favor financial inclusion in the country. Some of the most significant achievements were:

- Sustained growth in total loan and deposit taking portfolios, which include annual increases of 21.0% and 15.0%, respectively, showing the sector's dynamism during the 2016 fiscal year.
- Compliance with solvency and liquidity levels, in accordance with the management and risks associated with the operations carried out by the companies.
- Support to the sector in the search for the suitable schemes that allowed to consolidate ongoing businesses and to offer an orderly exit of entities, preserving the interests of its savers and clients as a primary concern. The same happened in the case of the federations, where the actions of the CNBV allowed ensuring the continuity of the auxiliary supervision, in the light of the exit of one of the six federations that operated in the system.

Relevant events

Alta Servicios Financieros, S.A. de C.V., S.F.P. (Alta) case

Transfer of assets and liabilities

During 2015, follow-up was given to the merger process that it intended to carry out, as merged company, with Financiera Mexicana para el Desarrollo Rural, S.A. de C.V., S.F.P. (Finamigo); however, in March 2016, both companies determined not to execute the transaction.

In order to protect the savers of Alta, in April 2016, this entity and Finamigo signed a contract for the transfer of assets and subrogation of liabilities. During this process, timely follow-up was given to the deposits held by the savers in Alta by Finamigo, for an amount equivalent to the deposit taking of \$ 55.6 million

MXN, which corresponds to 162 promissory notes from 144 savers.

Following the corresponding transfer and subrogation, Alta no longer had traditional deposit-taking obligations and remained practically without performing portfolio.

Revocation Process

In March 2016, the CNBV summoned Alta in order to revoke the authorization to operate as a SOFIPO, for failing to comply with the capitalization requirements for risks as established in the LACP. In addition, the CNBV requested to Federación Fine Servicios, S.C. (Fine) its opinion on the possible revocation of the authorization granted to Alta.

In April of the same year, Fine issued a favorable opinion regarding the revocation of the SOFIPO, in terms of the LACP. For its part, Alta refrained from exercising its right of hearing, regarding the summon to revoke its authorization. In August, the CNBV's Board of Governors agreed to revoke the authorization to operate as a SOFIPO under the terms of the LACP, and in September, this entity was notified of such situation. During an extraordinary session of the Savings Fund Protection Committee, held in October, it was agreed to settle and dissolve Alta, as well as the designation of the Asset Management and Disposal Agency (SAE) as liquidator.

Settlement process

In order to start work as a liquidator, the SAE needs to carry out a technical study to determine the feasibility of the case. In December, the SAE submitted to the Protection Fund the technical study and economic proposal that should result from the settlement of Alta, in order to be able to accept the role as liquidator.

Derived from the transfer of assets and liabilities process, Alta was in a state of insolvency to be able to face the costs of the settlement. In November, it requested financial support from the Protection Fund to cover the expenses associated with the process. In order to grant and justify the appropriateness of such support, the Protection Fund requested, in accordance with the norm, that an opinion be prepared. In this regard, during December, the Protection Fund approved contracting the services of a firm to prepare the aforementioned opinion.

Capital de Inversión Oportuno en México, S.A. de C.V., S.F.P. (Opormex) case

In December 2015, Opormex held an extraordinary general meeting of shareholders in which it agreed,

among other actions, the merger as merged company with Inteligente de México, S.A.P.I., de C.V., SOFOM, ENR (Inteligente de México) as surviving company. As a result of the merger agreed between the companies, Inteligente de México remained as the sole, final assignee, and acquired all the assets, liabilities, and capital of the SOFIPO.

Opormex requested the CNBV, in February 2016, to note that the authorization granted to that company was without effect on the occasion of the merger. In March, it requested to present to the Board of Governors the contents of said request, so that this body agreed to leave without effect the authorization granted to organize and function as a SOFIPO.

In an extraordinary session held in April 2016, it was unanimously declared that the authorization granted to Opormex, to be organized and operate as a SOFIPO in terms of the LACP, was without effect upon request of an interested party, as of January 2016, as a result of the merger, being the extinguished merged Company, with Inteligente de México.

Sociedad Financiera Agropecuaria y Crédito Rural, S.A. de C.V., S.F.P. (Sofagro) case

In August 2015, Sofagro entered into a rights transfer agreement with Sociedad Financiera Agropecuaria SOFOM ER (Sofagro SOFOM), and the sale of the loan portfolio comprising 43 operating loans for a total balance of \$2 million MXN was registered. The company provided the CNBV its financial statements with figures as of October 31st, 2015, which were issued by an external auditor, and which validated the review of the settlement of the transactions of assets and liabilities.

Sofagro formally petitioned the CNBV, in December 2015, for revocation of its authorization to operate and act as a SOFIPO, by virtue of an extraordinary shareholders' meeting of that entity, which resolved to dissolve and voluntarily liquidate the company.

The official document of the revocation of Sofagro was issued in May, 2016. From that date, Sofagro SOFOM ceased to be a comprehensively supervised entity by the CNBV, as it ceased to have links with a financial institution supervised by the CNBV. As a SOFOM ENR, it will only be subject to supervisory activities in AML/CTF matters.

Federación Mexicana de Desarrollo A.C. (FEMDES) case

The revocation of the FEMDES Federation was executed in August 2016, due to non-compliance with section III of Article 60 of the LACP, since it did not have at least eight affiliated SOFIPOs. The entities that were affiliated to the FEMDES were the following:

- Financiera Súmate, S.A. de C.V., S.F.P.
- Financiera del Sector Social, S.A. de C.V., S.F.P.
- Financiera Auxi, S.A. de C.V., S.F.P.
- Paso Seguro Creando Futuro, S.A. de C.V., S.F.P.

The actions requested by the CNBV to FEMDES to ensure continuity in auxiliary supervision were the following:

- To hand over the inventory of the physical and electronic files of the companies affiliated to FEMDES to the new federations, in order for the latter to have historical information of each of these companies.
- To include the details of the supervisory processes of the affiliated SOFIPOs, in order to inform their corresponding status to the new federations.
- To send to the CNBV the files of its auxiliary supervisory functions, for each of the affiliated companies, corresponding to the last two years.

The receiving federations ensured the continuity of the supervision process, holding affiliation and auxiliary supervision contracts.

The revocation document of FEMDES was published in the DOF on November 1st, 2016.

The SOFIPOs affiliated to FEMDES held, in three cases, affiliation contracts with Federación Fortaleza Social, A.C. (Financiera Súmate, S.A. de C.V., S.F.P., Financiera Auxi, S.A. de C.V., S.F.P., Paso Seguro Creando Futuro, S.A. de C.V., S.F.P.) and, in one case, an auxiliary supervision contract with Federación Atlántico Pacífico del Sector de Ahorro y Crédito Popular, A.C., (Financiera del Sector Social, S.A., S.F.P.).

FICREA case

Progress on payment to savers

At the end of December 2016, the Protection Fund had made payments to 27 savers in the amount of \$3.7 million MXN. These payments correspond to cases that had been stopped by the judge of the bankruptcy because they were savers who, although they had submitted their application correctly and in a timely manner, also presented Back-to-Back loans to their charge. A total of 6,292 savers have been paid, amounting to \$656.7 million MXN, including what was paid at the end of 2015.

Bankruptcy current situation

The result of the administration of Fideicomiso 80730 (Arrendamiento) at the end of December 2016 and whose initial equity amounted to \$2.731 billion MXN, is as follows:

- Portfolio recoveries during 2016: \$346 million MXN that, accumulated with the recoveries of 2015, amount to \$582.8 million MXN.
- Net interest charged during 2016: \$5.9 million MXN.
- Resources administered by the liquidator: \$460 million MXN have been deposited to the trust in Banjército, for the return payment to the beneficiaries of the corresponding proceedings.

Following the revocation of the authorization to operate granted to FICREA and the admission of the bankruptcy proceeding, in which a liquidator was appointed, the settlement of the company is an obligation of the latter without the CNBV having any interference in said process.



2.5.2.8 INVESTMENT ADVISORS

Investment advisors have the obligation to register before the CNBV when, without being intermediaries of the stock market, they regularly and professionally provide portfolio management services, making investment decisions in the name and on behalf of third parties, or providing advice, analysis, and issuance of recommendations in securities investment.

During 2016, registration was granted to 52 investment advisors, of which 11 were natural persons and 41 legal. Twenty-seven registrations correspond to applications received in 2016 and the rest to application processes from previous years.



Supervisory activities

As part of the supervision process, during the year the CNBV carried out five regular inspection visits to registered investment advisors, with the purpose of evaluating the investment services provided, as well as their business conduct, in relation to the provisions of the LMV and other applicable provisions.

As a result of these activities, recommendations and observations were made, which relate to:

- The evaluation to determine the client profile.
- Functions related to the financial products analysis committee and the person responsible for compliance with provisions for investment services.
- Reasonableness, policies, or guidelines.
- Minimum content of the general framework of action.

- Internal control mechanisms, systems, registrations, and files, among others.

First event with investment advisors

In November, the first meeting with the investment advisors denominated Importance and challenges of the investment advisors sector was held, with the purpose of discussing and analyzing relevant issues regarding supervision, as well as the challenges facing this sector, whose interaction with the CNBV is facilitated by this type of activities.

During the development of the event, the priorities of supervision, methodologies, obligations, and the various procedures that the CNBV exercised in matters of prudential supervision were made known, as well as obligations on investment services and money laundering prevention, in order to warn of bad practices in the market and to identify possible illicit activities. For their part, investment advisors expressed their doubts and concerns regarding the exposed supervision issues.

2.5.2.9 CREDIT INFORMATION BUREAUS

SICs and their user entities are important players for the efficient performance of the credit infrastructure, because, with the collection, integration, and management of credit information they perform, credit histories and numerical assessments (credit scores) are developed, which allow loan grantors to have more elements to determine the risk profile of their potential customers, their ability to pay or borrow, and to allocate loans in a better way.

The SICs that operated in Mexico during 2016 were Círculo de Crédito, S.A. de C.V., Trans Union de México, S.A., and Dun & Bradstreet, S.A. The latter two companies operate jointly under the Buró de Crédito brand name.

Supervisory activities of the SICs

In 2016, the CNBV authorized one of the SICs to use a new technological platform that optimizes the process by which it digitally receives, from loan grantors, the authorizations of the clients to consult their credit information.

In addition, the implementation of the supervisory actions and corrective measures ordered to the SICs

was monitored, to optimize the:

- Validation of the information they receive from users and its integration to the database.
- Elimination of registrations with the appropriate characteristics, according to the applicable regulations.
- Exchange of information and contracts with other SICs.
- Attention to complaints submitted by customers of SIC users.

Supervisory activities to SIC users

During 2016, the CNBV continued to reinforce the process of supervising financial institutions that provide information to or consult SICs, to carry out a better evaluation of the entities' capacity and to integrate, validate, and ensure the quality of their information submissions, according to regulation and best practices in the field.

In order to promote the proper functioning of the credit information system, the implementation of more than 150 actions and corrective measures, ordered to the various users, was carried out to improve the processes of:

- Quality of the credit information of the creditors, sent by the loan grantors to the SICs.

- Follow-up on claims submitted by creditors through the SICs.
- Correction of rejected and outdated registrations that SICs notify to loan grantors.

In addition, considering the previous objectives, the CNBV carried out inspection visits to six financial institutions that use SICs, from which about 50 observations and recommendations derived.

2.5.2.10 REPRESENTATIVE OFFICES OF FOREIGN FINANCIAL ENTITIES

Representative offices of banks

At the end of 2016, the sector of representative offices of foreign financial institutions was composed of 47 entities from nineteen countries, in normal operation. The promotion of loans of bank branches is mostly focused on the private sector, then on the public sector and, to a lesser extent, on commercial banking.

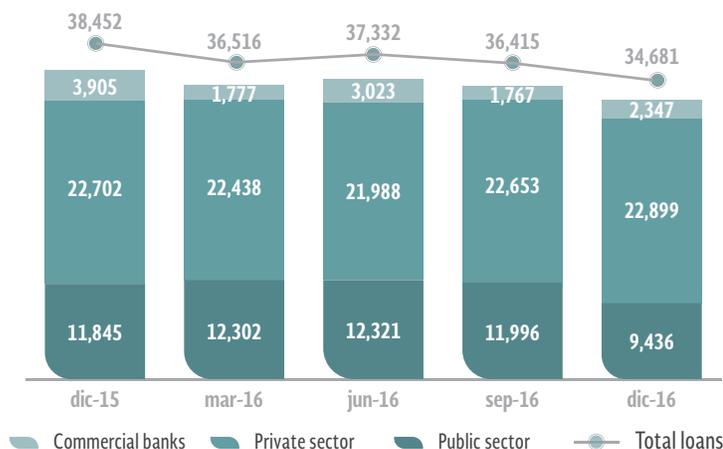
The loans granted by the holding companies, as a result of the promotion of their representative offices, was mainly directed to the private sector, in which the resources were focused on productive activities such as the automotive industry, manufacturing, and projects from the energy sector.

Supervisory activities

During the year, inspection visits were made to 33 representative offices of foreign banks. As a result of the activities carried out, it was found that the operations of the representative offices visited were confined to the applicable legal framework.

In April, authorization was revoked to Banco Espíritu Santo, S.A., Oficina de Representación en México, to act as representative office, for incurring in the assumptions established in the applicable regulations.

CREDIT PROMOTED BY BANK REPRESENTATIVE OFFICES
(BALANCES BY DESTINATION SECTOR OF THE LOANS, MILLION USD)



Source: CNBV, with information provided by the entities.



Representative offices of brokerage firms

At the end of 2016, the sector of representative offices of foreign financial entities of brokerage firms was composed of three entities. The operation of these entities may focus on the management and execution of administrative procedures, related to the placement of securities of national issuers abroad, in which the represented company intends to intervene.

Supervisory activities

During the year, activities carried out in the national territory were monitored through representative offices, according to the information sent to the CNBV, in compliance with the applicable provisions.

In October, authorization was revoked to Citigroup Global Markets Inc., Oficina de Representación en México, to act as representative office upon request of an interested party.

2.5.2.11 PARTICIPANTS IN PAYMENT SYSTEM NETWORKS

The implementation of card payments has followed a growing trend in recent years. The incorporation of new participants and the technological improvements have allowed card payments to be received in new niches, so it is increasingly common to observe clients making payments with electronic means in different places. To allow for the orderly incorporation of participants into this industry, as part of the Financial Reform, the figure of payment system networks was included in the Law for Transparency and Regulation of Financial Services, and secondary regulation was issued in this matter.

During 2016, eight entities that perform operations in the card payment system network were detected. They were asked for information to know their participation in the network, as well as their legal composition to identify the functions they perform and their interaction with other companies.

As a result, six aggregators, an issuer, and a specialized company were registered. In addition, two aggregators were unsubscribed. At the end of 2016, the payment system network sector was integrated as follows:

CARD PAYMENT NETWORK PARTICIPANTS DECEMBER 2016

| Relevant participants | Number of participants |
|---------------------------|------------------------|
| Issuers | 80 |
| Specialized companies | 9 |
| Acquirers | 18 |
| Aggregators | 30 |
| Trademark owners | 3 |
| Total participants | 140 |

Source: CNBV.

Supervisory activities

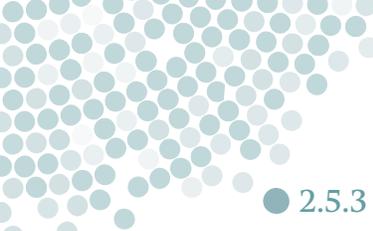
Thirteen investigations were carried out to different participants and 103 consultations from the supervised entities were attended, in relation to the fulfillment of requirements, the validation of their operation, and the revision of the structure of the conditions of participation in the network, among others.

With regard to trademark owners, the conditions and requirements established by each of them were reviewed to grant the use of their brand to card issuers and acquirers in the supply of related services.

Also, the request for information of transactions made in POS by the aggregators and trademark owners, was made for various operational variables (payment receivers, credit and debit cards, among others), in order to know the evolution of the infrastructure and transactions.

Regulatory improvement

During 2016, the preliminary draft of the amendment to the general provisions applicable to the payment system networks and to various regulatory reports was prepared jointly with Banxico, which considers the needs detected to achieve a better functioning of the card payment network.



● 2.5.3 SPECIALIZED SUPERVISION

2.5.3.1 OPERATIONAL AND TECHNOLOGICAL RISK

During 2016, 46 specialized inspection visits were carried out in terms of operational and technological risk, with a risk-based approach, of which 87% were for technological risk and 13% for operational risk:

- Technological risk visits consisted of the revision of security schemes in Internet banking, outsourcing, business continuity plans (BCP), contingency plans, evaluation of the domains of information technologies considered in the Cefer, which are security, infrastructure, and systems development, as well as the evaluation of operational schemes of commission agents, electronic media (mobile operations, ATMs, and POS) and debit card products.
- Operational risk visits focused on the evaluation of operational risk units and their coordination with business and support units; also in the documentation and mapping of processes, methodologies of management, control, administration, and measurement of operational risks, as well as in the schemes for calculating the capital requirement for operational risk.

In this area, fourteen off-site supervisions were carried out through information requirements and interviews; the use of the alternative standard method was authorized to three credit institutions, and one more presented its notification for the use of the standard method.

On the other hand, as part of the ongoing efforts to improve the tools and monitoring of operational and technological risk supervision, two actions stood out:

- The continuation of the development of the Operational and Technological Risk System (SI-ROT), which supports the process of monitoring observations, corrective actions, and sanctions, in order to incorporate functionality for the control of correspondence, overlook

the follow-up, visits control, registration, and administration of observations system, The opinions and monitoring of compliance of indicators module, and the follow-up to corrective actions module, as well as the automation process for the generation of the Cefer matrix and the risk ratings for the institutional Cefer.

- The permanent follow-up activities to comply with the provisions regarding operational contingency reports and security events (loss of information and intrusions), which allow the identification of events with similar hacking modus operandi of the entities' websites. Because of these analyses, the on-site review elements of the Internet services were strengthened in order to validate the configuration of internal networks and the publication of services to avoid fraud.

Regarding the procedures or applications for authorization in terms of operational and technological risk, the following sectors were attended:

- For the SOCAP and SOFIPO sectors, procedures regarding the contracting of operating processes or computer systems with third parties (nine procedures) were addressed, as well as the operation of correspondent schemes (commission agents to carry out financial operations on their behalf and representation), so that these sectors have an additional channel to carry out financial transactions.
- For the credit institutions sector, thirteen requests for authorizations of commission agents and 70 contracts with third parties for the provision of services in the field of computer systems, databases, and operational processes, as well as of commission agents for banking operations in stores were attended.



2.5.3.2 CROSS-SECTORAL SUPERVISION IN INVESTMENT SERVICES

In order to assist supervision in the area of investment services, five regular inspection visits were carried out during 2016: two in credit institutions and three in brokerage firms. The degree of depth with which the intermediaries a) know the particular characteristics of their clients and the investment services they provide, b) review the level of complexity and risk of the products offered, and c) apply the concept of reasonableness in the recommendations of investment to clients and the management of investments in their name, was reviewed. Normative compliance issues such as limits of conflicts of interest, business conduct, sound practices, and stock market practices, among others, were reviewed. As a result of these visits, the following were issued:

- Four official documents with observations and recommendations.
- Four technical opinions related to observations and recommendations official letters, as well as actions and corrective measures resulting from regular inspection visits by the areas

of supervision. Two technical opinions were also issued on applications for the settlement of infringing conduct regarding investment services for brokerage firms.

Since the recent entry into force of the provisions in investment services, a total of thirteen technical opinions on the revision of the investment policies and guidelines in the field of investment funds sent by the entities were issued in June 2016, ten for companies managing investment funds and the remaining three for distributing companies of investment fund shares and entities providing such services.

Regarding the technical opinions for the authorization of new entities, two opinions were formulated on the authorization of operation of a newly created investment management company and the transformation of a distributing company of investment fund shares into an investment management company. Likewise, a favorable opinion was issued for the approval of the Financial Products Analysis Committee of the entities of two financial groups.

2.5.3.3 STOCK MARKETS

As part of the supervision of the Mexican stock market, the CNBV analyzes its evolution and maintains a continuous monitoring of its behavior; it also verifies the complete and timely disclosure of relevant information by the issuers with securities registered in the RNV, in accordance with the international standards. Some of the highlights are mentioned below.

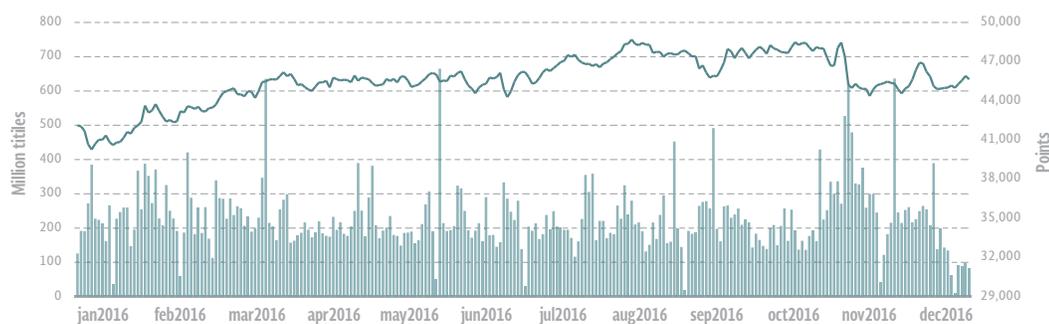
Capital market

During 2016, global markets were expecting various events such as the increase of the reference rate by the Federal Reserve System (Fed), the Brexit and, in particular, the presidential election of the United States of America. In this context, the Mexican Stock Exchange Index (IPC) reached its annual minimum level on January 20th, when it reached 39,924 units, although it subsequently showed a clear upward trend

during the first eight months of the year and marked a new historical high of 48,956 units on August 15th. This trend stopped in September, when it dropped below the 47,000 support level and even reached 45,000 units after Banxico's announcement of raising its benchmark interest rate by 50 BPS.

After the victory of the Republican Party candidate for the presidency of the United States of America, the IPC fell to 43,999 units on November 18th, thereby erasing the IPC yield obtained since March. Finally, during the rest of the year, the IPC was operating in a volatile way trying to break the new resistance level located at 47,000 units. Thus, at December 31st, 2016 and in annual terms, the IPC recorded a 6.2% increase compared to -0.4% in 2015, an average daily trading volume of approximately 228 million shares, and an average amount of \$7.478 billion MXN.

PERFORMANCE OF THE BMV'S IPC IN 2016



Source: CNBV with information of the BMV.

In line with international practices, during 2016, the issuers with securities registered in the RNV successfully reported, through the systems of the CNBV and the BMV, their quarterly financial information in extensible business reporting language (XBRL), thereby providing the investing public with the possibility of automatically exploiting the financial information provided by these issuers. It is important to mention that the XBRL information viewer developed by the CNBV allows the general public to access quarterly financial information in XBRL format and in files with XLS, DOC, and PDF extensions.

This change meant a major modernization of the way in which issuers disclose their financial information, since it allows the general public to have a more agile access to such information and favors both the implementation of the supervisory activities of the CNBV and the investment decisions of the investing public at large. In addition, the XBRL format ensures that the information presented by the issuers is accurate and is automatically validated, allowing the immediate processing of information in a standard and comparable way.

As part of the CNBV's permanent supervision of the issuers with securities registered in the RNV and in order to allow the investing public to know the degree of compliance of these issuers with respect to their quarterly information disclosure obligations (financial, economic, accounting, legal, and administrative), which are stipulated in the LMV and applicable provisions, the totality of the national issuers of shares, Fibras, Capital Development Certificates (CKD), Cerpis, direct long-term debt, and direct short-term debt, were evaluated during 2016, through a compliance indicator with periodic disclosure of information. This promotes greater quality in the disclosure of information and allows the large investing public to

count with sufficient elements in a timely manner to make appropriate investment decisions.

Debt market

The Mexican debt market recorded a decrease of approximately 38% in placement levels, compared to the level observed in 2015, mainly due to the decrease in the issuance of short, medium, and long-term instruments. The CNBV maintained a constant follow-up of the evolution of the market as a whole, as well as of the performance and the regulatory compliance of its various participants.

Derivatives market

Based on the amendments to the Circular Letter 4/2012 by Banxico, on April, 2016, it is expected that Mexican intermediaries will have to compensate and settle in a clearing house the operations of standardized derivatives that they perform, as well as enter into such transactions in recognized markets through companies that manage systems to facilitate operations with securities (brokers) authorized by the CNBV or through institutions from abroad that carry out functions similar to those carried out by said companies and which, for that purpose, have the recognition of the CNBV.

In 2016, special emphasis was given to the supervision of brokers, as well as to the exchange of derivatives in terms of negotiation and internal control, in order to ensure that the negotiation schemes adhered to the applicable regulation. On the other hand, recognition was given to Remate (USA) Inc., Bloomberg SEF LLC, and TruEX LLC.

With regard to the commitments made by the authorities in the working groups of the Committee

on Payments and Market Infrastructures-International Organization of Securities Commissions (CPMI-IOSCO), during 2016 the dates for the compliance with the Principles for the Infrastructures of the Financial Markets were established, mainly from Asigna Compensación y Liquidación (Asigna). To this end, the CNBV carried out different supervisory and monitoring activities in order to improve the security and efficiency of clearing and settlement mechanisms and, in general, limit systemic risk and promote transparency and stability.

It is important to note that on January 27th, 2016, ESMA decided to recognize Asigna as a central counterpart of a non-member country of the European Union (EU). This will allow, in accordance with the provisions of the Capital requirements for Bank exposures to Central Counterparties, published in July 2012 by the Bank for International Settlements (BIS), that both financial institutions belonging to the EU and

those institutions whose parent company is an entity belonging to the EU, have lower capital requirements for the exposure they have towards Asigna.

Other participants

In the case of price suppliers, the review continued on: i) the processes related to the issuance of updated valuation prices, in order to avoid operational risks that could result in an affectation to their clients, ii) the development and implementation of valuation methodologies, in order to ensure that such prices adequately reflect the value of financial assets subject to valuation, and iii) the strict adherence of their activities to the applicable regulations.

About securities rating agencies, special emphasis was placed on the implementation of the actions and corrective measures requested by the CNBV, in order for the ratings they give to adequately reflect the risk of investment funds.

● 2.5.4 TECHNICAL SUPPORT TO SUPERVISION

2.5.4.1 DEVELOPMENT OF RISK METHODOLOGIES AND ANALYSIS

During 2016, the CNBV continued its efforts to update and improve supervision based on risk analysis, in order to have a more accurate and efficient measurement of those faced by the institutions and to be able to take effective supervisory activities in a timely manner.

Credit risk: internal methodologies of reserves and capital requirements

The use of internal methodologies to calculate capital requirements and reserves for credit risk allows credit institutions to have models that more accurately reflect their risk profile, the value of their exposures, and their sensitivity to various risk factors, as well as to maintain consistency between their regulatory risk models and those used for the development of their business activities.

Internal methodologies presented by credit institutions

- During 2016, nine internal methodologies presented by credit institutions were reviewed to apply them in the calculation of capital requirements for credit risk, in the rating of their loan portfolios, and in the determination of preventive credit reserves.

- Credit institutions must carry out a review of the performance of internal methodologies authorized to be used. This observation process should be carried out based on recent information and at least once a year. In 2016, eight internal (previously authorized) methodologies were reviewed to evaluate their continued use in portfolios of institutions and in the calculation of capital requirements or reserves for credit risk.

Internal Models

- Two internal models were reviewed and approved to determine deposit stability and the sensitivity of passive deposit rates of said deposits in comparison to market rates; eight internal models of this type were evaluated to verify that they still comply with the established regulation. Two internal models were also reviewed to calculate the prepayment amount of fixed-rate housing mortgage loans.
- In addition, two models were reviewed to classify the balances of the housing subaccount, of which Infonavit or Fovissste are in charge, in maturity bands of more than one year.



Systemic risk

In order to identify the vulnerabilities of the financial system, the CNBV seeks to determine the macroeconomic scenarios that can trigger a financial crisis, its probability of occurrence, and the losses that would be caused to the economy, to be able to make decisions in a timely manner and mitigate those risks.

The systemic risk model implemented by the CNBV is divided into four phases:

1. Generation of macroeconomic scenarios.
2. Quantification of losses due to the credit and market risks of each bank.
3. Quantification of losses that are generated by non-compliance from other banks in the interbank network (this is known as the contagion phase).

4. Loss aggregation and metrics generation.

In order to improve the systemic risk model and to standardize the time horizons in which each type of risk is measured, in 2016, the methodology for aggregating losses due to credit and market risk was modified. This modification involved transforming the approach from which the possible losses due to credit risk were quantified, as well as the algorithms used for the analysis of conditional distributions.

These methodological adaptations were implemented in the Risk Scenario Analytics (RSA) platform; the source code was also updated and sectioned in order to facilitate possible subsequent modifications. In the same way, the calculation of the exposures between banks was validated and operations that were not considered and that could be a significant source of contagion were included.

2.5.4.2 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

In 2016, the CNBV performed for the eighth consecutive year the internal capital adequacy assessment process under supervisory scenarios, to the 47 IBMs that constituted the sector, with several improvements that showed benefits over previous fiscal years.

The objectives of this exercise were as follows:

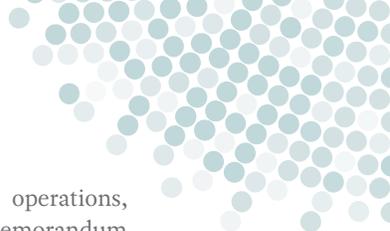
- To verify that institutions have sufficient regulatory capital to continue the intermediation of financial resources and provide short and medium-term credit, even in the face of adverse macroeconomic scenarios.
- To strengthen the use of this type of analysis, within the framework of comprehensive risk management of institutions, and to incorporate in daily practices the results that derive from the development of projections under adverse economic and financial scenarios.
- To raise awareness among institutions about possible response strategies to adverse macroeconomic conditions, as well as to create

a culture of projection of financial statements that assumes these conditions.

- To identify vulnerabilities at the individual level and in the financial system, as well as to know the growth and operation outlook of the IBMs in adverse macroeconomic scenarios.
- To detect and monitor the individual risks of each entity, to determine the appropriate level of capital required to operate in adverse scenarios within the desired risk profile.

This year, the CNBV incorporated new standards with international best practices, linked to improving the analysis, strengthening the methodology used, and increasing the usefulness of this activity for the management of supervised institutions. Among the improvements and benefits in the projections made by the IBMs, regarding the previous years, the following stand out:

- The modification to the expected loss recognition methodology; to that end, the cure rate and write-offs were incorporated into the



financial projections forms, in order to delve into the behavior of these variables in periods of crisis.

- The instrumentation of the dynamic trading portfolio for some investment banks, which adjusted the financial intermediation income submission guidelines for these entities, in order to allow for a better analysis.
- The modifications to the structure of the form, with the addition of new items and a greater scope in relevant items of banks' financial projection forms, such as non-revolving consumer portfolio, corporate

portfolio, housing portfolio, repo operations, intermediation operations, and memorandum accounts.

- The incorporation of the CCL calculation to verify that the liquidity constraints are properly applied in the internal capital adequacy assessment process.
- The addition of new mathematical operations and statistics in order to optimize the analysis tools (Internal Model and Challenger); to that end, the latter were adapted to incorporate the changes in the forms and to refine the internal projections by the CNBV.

2.5.4.3 ANALYSIS AND USAGE OF INFORMATION

During 2016, the CNBV optimized the processes of reception, quality, and financial and operational usage reported by the entities supervised by the CNBV, in order to also improve the dissemination to the general public of timely and reliable information and to have quality inputs to generate useful tools in the supervision of entities. In this way, work had special emphasis on improving the quality and the timeliness with which the entities submit the information.

Reception and quality of information

The CNBV implemented new standards in information quality assessments and regulatory reports, especially on participants in payment networks, SOFIPOs, and already supervised entities. From this, the commission will obtain more information regarding the operations through electronic means, as well as financial and operating information of the SOFIPOs and more details on the commercial and housing portfolios.

The results obtained were as follows:

- The implementation of validators and processes for the generation of inconsistency reports and information quality evaluation files, for the different types of commercial and housing portfolio reports, that have allowed to improve the quality of this information through corrections made by forwarding of these reports.
- Strengthening of the evaluation standards in the data quality sheet, which is published periodically on each sector in press releases,

statistical bulletins, and information portfolios.

- Design of rating methodologies in the Cefer matrix on quality and timeliness in the delivery of regulatory reports for the commercial banks, development banks, SOCAPs, and credit unions.
- Implementation of the securities portfolio regulatory reports applicable to investment advisors and entities providing investment services, as well as those of SOFIPOs, whose entry into force is in 2017.

Usage and publication of information

The visualization and response times of the information that the CNBV publishes to the general public through the Public Information Portfolio were improved. Among the improvements made, the following stand out:

- The development of an information model that allows agile and easy queries of commercial portfolio information with an expected loss approach.
- The adaptation of utilization mechanisms and the updating of the information portfolio to reflect the changes resulting from the entry into force of the NIF-D3 in January 2016.
- The redesign and development, in the information portfolio, of a section corresponding to investment funds.



● 2.5.5 SUPERVISION ON MONEY LAUNDERING PREVENTION ISSUES

During the year, the CNBV implemented a number of actions to enhance the supervisory activities in AML/CTF matters, among which the following stand out:

- The reassessment of the AML/CTF minimum points program, resulting in specific criteria. In this program, the areas of prudential supervision, in coordination with the specialized area, carry out an inspection visit based on a risk-based diagnosis of the entity, in order to verify and follow up on at least one aspect of the AML/CTF scheme.
- The preparation and follow-up to the fourth round of mutual evaluation of the FATF, which evaluates our country. Several requirements were met in relation to the technical compliance and effectiveness of the AML/CTF regime for the sectors supervised by the CNBV.
- The analysis of 2,498 audit reports for 41 money transfer companies, 1,083 currency exchange centers, and 1,374 SOFOM ENRs, representing 100% of the reports delivered during 2016 by registered companies.
- The fulfillment of various backing activities to supervised subjects. Twenty meetings with

credit institutions and twelve working groups with money transfer companies were held, associations that join currency exchange centers and SOFOM ENRs, which allowed a direct communication with the supervised entities, as well as to know more about their AML/CTF operations and structure.

Similarly, there were fifteen meetings with bonded warehouses, with the aim of giving them some recommendations or best practices to develop their AML/CTF policies and procedures.

In the case of investment advisers, two forums were held with the Mexican Association of Independent Investment Advisers, with the purpose of explaining the AML/CTF preventive scheme.

- AML/CTF Seminars. Eight seminars were held to encourage the training of compliance officers and auditors for them to take AML/CTF certification exams, which are detailed in section 2.4 Relevant topics of the year, of this chapter. These seminars were held in Mexico City; Tijuana, Baja California; Morelia, Michoacán; Guadalajara, Jalisco; and Chihuahua and Ciudad Juárez, Chihuahua.

● 2.5.6 MARKET BEHAVIOR SUPERVISION

In order to achieve the provision of investment services in accordance with the best international standards, sound customs and practices in the protection of the investing public, as well as to increase transparency, the effectiveness of internal controls, minimize conflicts of interest, and determine responsibilities in the administration of financial institutions, the following activities were executed during 2016:

- Two investigation processes related to two brokerage firms, for allegedly incurring in infractions such as conflict of interest, violation of the healthy customs and practices of the market, as well as delivering false information to clients, different from that indicated in the current regulations corresponding to types of clients and investment services. These investigation processes are in the final stage of analysis for the execution of the respective summons, in relation to the provision of investment services.
- Three accounting investigation processes, linked to two issuers and one external auditor, for infringing conducts such as omitting the delivery of financial statements in accordance with the accounting principles recognized by the CNBV, disseminating information that leads to error in public information, not reporting operations in terms recognized by the CNBV, and not preparing an expert opinion in accordance with the auditing standards and procedures recognized by the CNBV.
- Two investigation processes linked to three issuers, three brokerage firms and several managers, for issues related to alleged LMV infringements, such as conducting volume simulation operations, disclosing misleading information in a placement prospectus, and the operator of the own account having access to third-party information.





2.6 INVESTIGATION VISITS

During 2016, the CNBV carried out 275 investigation visits to SOCAPs, currency exchange centers, SOFOM ENRs, and other entities.

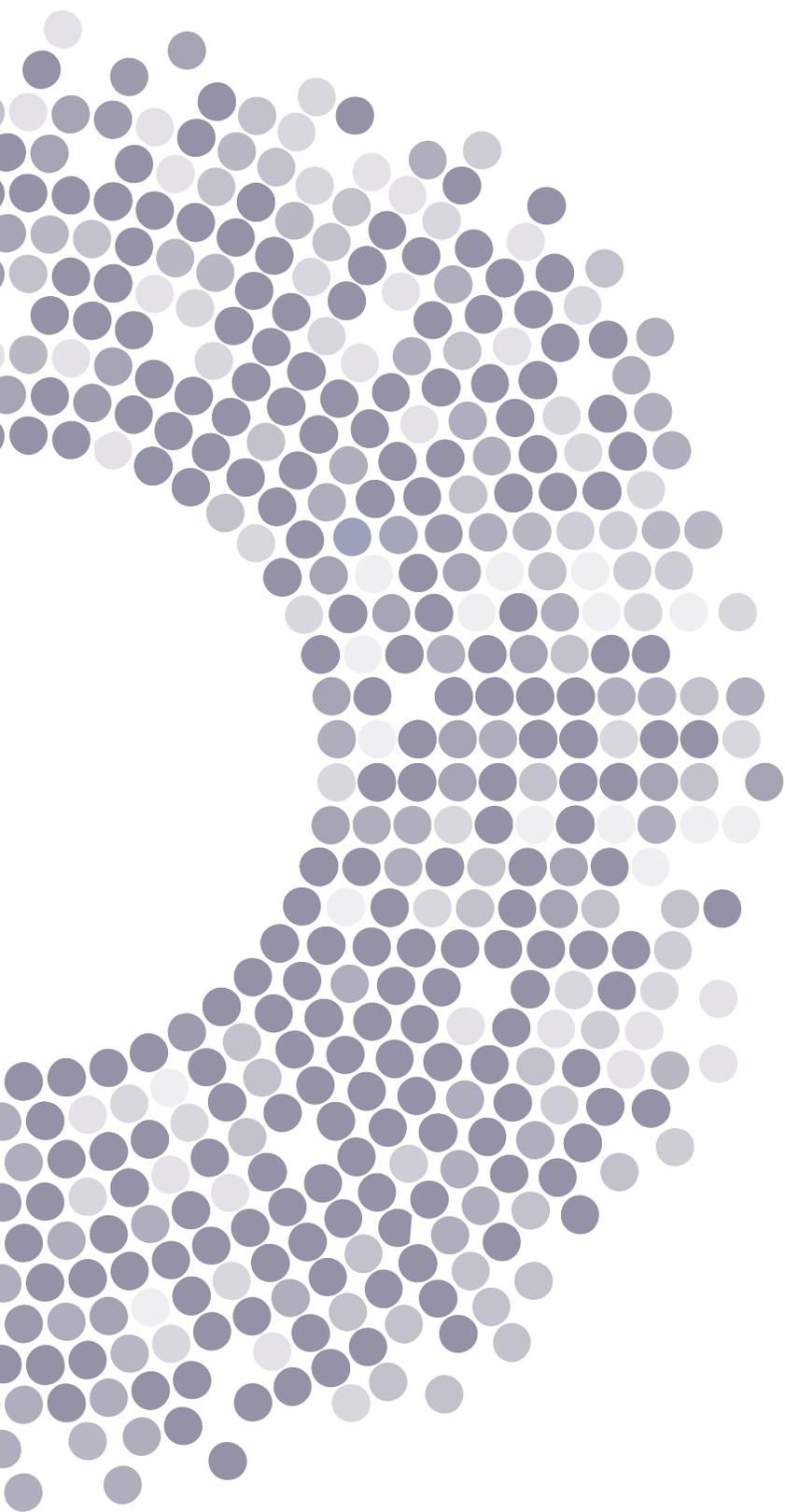
In particular, the visits performed to 86 basic level SOCAPs and the requirement of information by official notice to other 28 stand out, which were classified in category D or twice in C by the FOCOOP; it should be noted that this category prevents such companies from carrying out fund-raising operations. The visits were carried out with the purpose of verifying the information provided by FOCOOP in order to, given the case, initiate the procedure provided for in the LRASCAP, according to which the CNBV could order their dissolution and settlement.

In addition, 70 SOCAPs that were not evaluated by the FOCOOP were visited and, through an external consulting firm, the domiciles corresponding to 60 other were verified, in order to have sufficient elements and to be able to exercise the acts of authority that proceed.

On the other hand, in the protection of the interests of the investing public and as a result of information provided by stockbrokers, as well as the one obtained by the CNBV, several natural and legal persons that allegedly carried out operations as investment advisers without registration before the CNBV as provided in the LMV were identified. Fourteen visits were made, with the purpose of ordering the suspension of operations and to forward the file to the corresponding area, in order to initiate the sanction procedure, if applicable.

Based on complaints received from other authorities, as well as from information provided by various areas of the CNBV, related to persons engaged in foreign exchange transactions without having the registration issued by the corresponding authority, several visits were carried out in which the suspension of currency trading operations was notified to 29 irregular currency exchange centers. Additionally, two SOCAPs and two investment advisers were notified of the order to suspend fund-raising operations.





3.

AUTHORIZATIONS

3.1 INTRODUCTION

The CNBV has authorization and registration capacities regarding financial institutions, natural and legal persons from its field of competence, and companies providing different services. The authorizations granted refer to both the organization and operation of such entities and companies, and the execution of various acts provided for in the corresponding financial laws.

In exercising these powers, the CNBV proceeds with strict adherence to the applicable regulations and directs its action to guarantee the legality of the acts performed by entities and companies. In this way, it contributes to the construction of an efficient, inclusive and open financial system capable of providing a wider range of products and services in accordance with the savings, loan, and investment needs of the population,

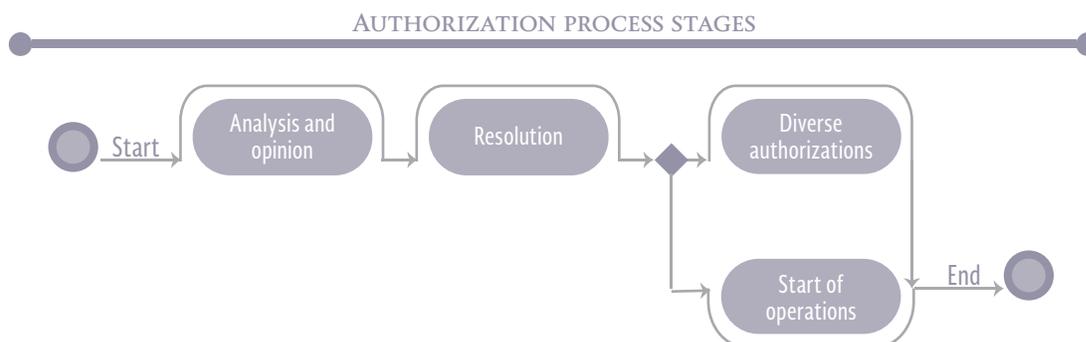
and promotes the healthy and balanced development of the SFM.

Below are the main activities and achievements during the year. First, the changes made to the authorization process, the issuance of relevant authorizations, as well as those changes that the CNBV has promoted in order to have an efficient regulatory framework that encourages the participation of intermediaries in the market and protects the interests of the investing public are highlighted.

Subsequently, the authorizations issued by the CNBV in accordance with its powers regarding the authorization of new entities, corporate restructurings, corporate bylaws and reforms, operational and legal aspects, and new issuances of the stock market are presented.

3.2 AUTHORIZATION PROCESS

In accordance with the CNBV's powers, the authorization process consists of four stages: analysis and opinion, resolution of the CNBV Board of Governors for new entities, diverse authorizations and, finally, start of operations for newly created entities.



The CNBV has made an important effort to deal more efficiently with the requests for authorization for the organization and operation of newly created entities. As part of the improvements made during 2016, the incorporation of the process of attention to

authorities from the starting of operations stage, and the strengthening and implementation of financial models with which the analysis of the business plans and financial projections are executed stand out.

3.3 RELEVANT TOPICS OF THE YEAR

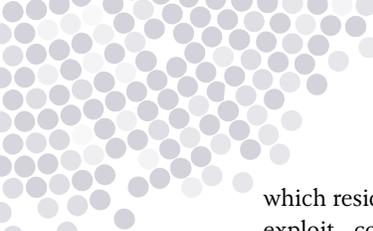
Issuance of the first trust bond for investment projects (Cerpi) and the first investment trust bond in energy and infrastructure (Fibra E)

As part of the measures to boost growth and accelerate the development of national infrastructure, two new financial instruments were created: Cerpi and Fibra E, in order to foster infrastructure projects in various sectors, including the energy sector. These instruments, which are issued through public offering, were designed as an alternative financing source to the energy and infrastructure sector, to promote these sectors, as well as to develop and strengthen the securities market.

The Cerpi is an instrument with a design similar to that of private equity, which allows institutional investors to make productive investments in different sectors (for example: real estate, financial, technological, energy, and infrastructure) and with different risk exposures. These instruments were designed to grant pension funds and other institutional investors access

to assets that allow them to diversify their portfolios. On September 29th, 2016, the first Cerpi (MIRA) was created, in charge of Mira Manager, S. de R.L. de C.V. as trustor and administrator for a maximum amount of \$4 billion MXN. This instrument will detonate investments in the development of urban properties of mixed or commercial use in Mexico during the next four years.

Fibra E is a vehicle that issues trust certificates for investment in energy and infrastructure (CBFE) for the investment in promoted companies whose activities are in the energy or infrastructure sectors. On October 14th, 2016 the public offering of the first Fibra E (FVIA) was executed in charge of the trustor and administrator Infraestructura Viable, S.A. de C.V., for \$11.835 billion MXN, which considers the over-allotment option. This vehicle invested in the representative shares of the capital stock of the promoted company Promotora y Administradora de Carreteras, S.A. de C.V., (PACSA), Mexican company



which resides in Mexico, holder of the license to build, exploit, conserve, and maintain the Mexico-Toluca highway. As part of the structure of the first Fibra E, the preferential L-Series CBFEs, were registered in the RNV, which were object of public offering.

MIRA and FVIA represent the first issues of Cerpi and Fibra E made in Mexico under the changes made to the stock and fiscal regulation in October 2015 and April 2016, in order to promote and finance investment in energy and infrastructure projects in Mexico.

Open architecture

As part of the update to the regulation applicable to the financial sector, derived from the Financial Reform, the changes to the Investment Funds Law (LFI) stand out, which sought to simplify the legal obligations of investment funds and to promote the administration and distribution of more and better products.

One of the main changes in the LFI is the so-called open architecture, with which companies managing investment funds have the obligation to provide their funds to distributors who request them. In this way, the distributors will be able to offer their customers the best market funds in each category. Under the assumptions of efficient markets and customer rationality, the best investment funds will benefit and operators will have incentives to operate the best-value funds of the market.

Given this new market reality, regulation also includes the figure of electronic mechanisms for trading shares of investment funds, as an alternative for the entities that seek to standardize their negotiation processes and transfer the operational risk to a third party who handles it professionally with the option of multilateralism, which is to say, with the signing of a contract, access to all the operators and distributors that are part of it is available through a platform.

In addition, these mechanisms will allow the standardization of the operation in the investment funds sector, promote the development of best practices, facilitate the flow of orders between the operators and the distributors, and carry out the routing of purchase, sale, and transfer orders in real time, allowing the follow-up of operations in the allocation and settlement processes.

The contracting process will be carried out through the adhesion contract provided for in the LFI, which was worked on in conjunction with the Mexican Association of Securities Intermediaries (AMIB), in order to have

a standardized format that provides for an unrestricted equal treatment between and for distributors and entities that sign it.

During 2016, two groups of legal entities were interested in having the authorization to set up and operate this type of platforms, with a business model in two phases: the first providing only the order routing service and the second offering, additionally, services for the settlement of transactions.

One of these groups (MEIFondos) formally submitted the application for authorization by the end of 2016. Previously, the CNBV had made several visits to their facilities where the operation of this platform, the tests carried out with various entities, the system's functionality, the parameterization modules, and the process of ordering and settlement were presented. It is expected that the operation of this platform will begin in the first quarter of 2017.

Licensing project for the new stock exchange

In October 2015, Grupo CENCOR requested the SHCP the license to establish a stock exchange in Mexico. Throughout the year, the CNBV reviewed the project, as well as all of its documentation, with the purpose of ensuring that it complies with the rules applicable to stock exchanges, as well as its financial viability. At the end of 2016, it was announced that LIV Capital would have a stake in the new stock exchange.

It is important to mention that, as a result of the entry of a new stock market into the Mexican market, it has been necessary to revise and modify the regulatory framework, to contemplate the existence of two stock exchanges and the obligations to be observed, such as:

1. To guarantee the continuity of their services.
2. Equitable treatment of market participants.
3. To have timely communication schemes, both with participants and between both exchanges.

The incorporation of a new stock exchange in the Mexican market will bring competition, which will eliminate the dependence on a single supplier, as there is a natural redundancy in the market that will reduce the risk of lack of continuity. It is also expected that this will foster innovation and improvement in the quality of services, as well as the offering of products to the market to the benefit of intermediaries, investors, and issuers, as has been observed in other markets such as the United States of America, Canada, Japan, and Australia.

Incorporation of the process of attention to authorities in the authorization of new financial institutions

The CNBV receives requests from competent legal, federal, and administrative authorities, in which information and documentation of financial transactions of clients and users of financial services are demanded, or also the securing, release, transfer, or placement of funds.

The management of the requirements from authorities is done through the process of attention to authorities, which implies that financial institutions, once they start operations, incorporate important changes in their operation to comply with the requirements.

These changes were not contemplated in the preparations for a new financial institution that starts operations, which generates an operational problem due to the volume of applications received. That is why, as of this year, this process was incorporated in the authorization of new financial entities in order that, before starting to operate, they have all the necessary elements to comply in a timely manner with the commandments of authority. This contributes to the achievement of the legal processes and procedures from which the requirements derive, and it also avoids the imposition of

sanctions that, due to the volume of information, could become extremely costly.

To illustrate the above, a credit institution with a narrow market niche and a small portfolio receives approximately 77,000 requirements every month, while for the case of one of the five major credit institutions, the approximate number is 125,000 monthly requirements.

Analysis of the business models of the entities interested in starting operations in other sectors

As part of the changes made to the process of authorization of new financial intermediaries, the CNBV extended, during 2016, the types of institutions subject to the evaluation of the reasonableness of their projections and the viability of their business plans, even in adverse or unforeseen operation situations.

Brokerage firms, rating agencies and stock exchanges, companies managing investment funds, and trading platforms for investment funds and for information disclosure were included, in addition to considering IBMs and SOFIPOs.

In this way, three IBMs, three brokerage firms, a rating agency, a stock exchange, two investment fund operators, a trading platform, and a disclosure platform were reviewed under this scheme.





3.4 REGULAR ACTIVITIES

3.4.1 NEW FINANCIAL ENTITIES

In accordance with its Law, the CNBV has authorization capacities regarding different kinds of acts provided for in the laws of the SFM. Among others, it has the power to authorize the establishment and operation of the entities that are part of its scope of competence, which is why the legal, operational, economic, financial, and administrative aspects of the submitted authorization applications were analyzed during the year. This resulted in the granting of the following authorizations to new financial institutions, in accordance with the content of the Annex D (New Financial Entities):

- Two IBMs: Bank of China Mexico and Banco S3 México.
- One investment management company: BTG Pactual Gestora de Fondos de Inversión.
- Seven SOCAPs: Cooperativa de Ahorro y Préstamo Renacimiento Costa de Oro, Unión de Servicios Allende, Caja Popular San Bernardino de Siena Valladolid, Caja Popular Maravatío, Cooperativa Tepoztlán, La Caja Solidaria de Teocaltiche, and Caja Solidaria Kafén Tomin.
- One securities rating institution: DBRS Ratings México.
- Three recognitions of foreign companies that carry out operations similar or equivalent to those carried out by companies managing systems to facilitate securities trading: TrueEx LLC, Bloomberg, and Enlace New York.
- 66 registrations of currency exchange centers and four of money transfer companies.
- 41 registrations of legal entities and eleven of natural persons in the investment advisors registry.

Start of operations

- The start of operations of one IBM was authorized: Industrial and Commercial Bank

of China Mexico, and of SFP Porvenir SOFIPO.

- Note was taken of the start of operations of two companies managing investment funds: BTG Pactual Gestora de Fondos de Inversión and Más Fondos; a limited operating company of investment funds: Operadora COVAF ; and one securities rating institution: DBRS Ratings México.

All of the above is a result of the investors' confidence in the national financial system, as well as their interest in expanding the range of services and portfolios of instruments they offer to several segments and niches of the population. In this growth process, even international entities, which have been able to foresee opportunities for expansion in Mexico, have participated.

Transformation process to mutual funds and authorizations

Based on the changes resulting from the Financial Reform, investment companies were forced to carry out a statutory transformation to become investment funds. At the time of publication of this reform, there were 589 companies compelled to carry out said process, of which 549 made the request within the provided deadline. Of these applications, 492 had completed the transformation process, 54 had the favorable opinion, and three were in process by the end of 2016.

On the other hand, of the 40 companies that did not begin the transformation process, nineteen were merged and asked to leave their authorization without effect; sixteen were deprived of their authorization, by operation of law, and entered into grounds for dissolution and settlement; four requested a change of corporate purpose to cease to be supervised by the CNBV; and one opted for a process of dissolution and settlement.

In addition, 33 authorizations were granted for the establishment and operation of new investment funds: 23 in equity and ten in debt instruments, corresponding to thirteen operators.

13/ Prior to the start of operations, this company was authorized to provide valuation services for investment fund shares and it was noted that the entity would carry out investment fund accounting services.

● 3.4.2 CORPORATE RESTRUCTURINGS

During 2016, several projects of internal reorganization, functional restructuring, and changes in shareholdings were materialized by numerous financial entities, in an environment of increased competitiveness in global markets, of demand for high quality services, and of search for alternatives to reduce costs. Such projects, which were authorized by the CNBV, included mergers, changes of control, and stock transfers, as well as actions aimed at the integration of financial groups. In some cases, when it was SHCP's duty to grant the authorizations, the CNBV issued opinions on the processes. Corporate restructurings are detailed in Annex E (Corporate Restructurings):

- Five IBMs: Banco Finterra, Bancrea, Banco Inbursa, Banco PagaTodo, and Deutsche Bank México. These institutions were given the authorization to carry out various actions, such as the transfer of shares, change of control, and demerger.
- Four brokerage firms: Inversora Bursátil, Vifaru, Kuspit Casa de Bolsa, and Deutsche Securities

Casa de Bolsa. They were authorized several share transmissions.

- Eight financial groups: Santander, Multiva, Banorte, Banregio, Bancomer, Monex, Ve por Más, and Inbursa. Opinions were issued to the SHCP regarding restructuring.
- Five companies managing investment funds: Fondos de Inversión Afirme, GBM Administradora de Activos, Inbursa, Value, and Operadora de Fondos de Inversión y Desarrollo. They were authorized several share transmissions.
- Several capital investments in foreign financial entities by an IBM, Banco Monex, and a brokerage firm, Vector Casa de Bolsa. Also, note was taken of the investment made by the IBM Banco Inbursa in a Brazilian service provider company.
- The SOFIPO Sociedad de Ahorro y Crédito La Paz was authorized the change of control in the shareholding.

● 3.4.3 CORPORATE BYLAWS AND REFORMS

During the year, various corporate bylaws were approved and resolutions favorable to the constituent regimes of the newly created financial entities, statutory reforms derived from the 2014 Financial Reform, and various reforms to corporate bylaws were issued.

Newly created entities

Corporate bylaws were approved and resolutions favorable to the constituent regimes of Bank of China Mexico and Mizuho Bank were issued, which at the end of the year were still in the pre-operational stage. Likewise, the articles of incorporation of BTG Pactual Gestora de Fondos, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, and the reforms to the corporate bylaws of Más Fondos, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, and of Operadora COVAF, S.A. de C.V., Sociedad Operadora Limitada de Fondos de Inversión, were approved on the occasion of their regime transformation.

2014 Financial Reform

Thirteen statutory reforms resulting from the Financial Reform were issued, to an IBM (Bancoppel), two brokerage firms (Casa de Bolsa Finamex and GBM Grupo Bursátil Mexicano), three companies managing investment funds (Finamex Inversiones, Value Operadora, and Compass Investments de Mexico), a distributing company of investment fund shares (Distribuidores de Fondos Mexicanos), two SOFIPOs (Paso Seguro Creando Futuro and Sociedad Financiera de Crédito Popular Nacional), and four credit unions (Unión de Crédito Vidacredit, Unión de Crédito San Marcos, Unión de Crédito Agrícola e Industrial de Guasave, y Unión de Crédito de Distribuidores Automotrices).

Reforms to corporate bylaws

Reforms were made to the corporate bylaws of twenty IBMs, twelve brokerage firms, thirteen SOFIPOs, one federation, sixteen SOCAPs, twelve credit unions, eight companies managing investment funds, and two service provider companies, in accordance with Annex F (Reforms to Corporate Bylaws).

● 3.4.4 OPERATIONAL AND LEGAL ASPECTS

During the course of the year, authorizations and opinions regarding the operational and legal aspects of financial entities subject to the CNBV's supervision and regulation were issued, in accordance with Annex G (Operational and Legal Aspects):

- Nine new operation models of banking correspondents and seven extensions of the object of the commissions to previously authorized correspondents.
- 84 service providers to various IBMs and brokerage firms, and an official record of the expansion of service delivery by two suppliers.
- Seventeen programs of self-correction and an official record regarding the entities subject to the regulation and supervision of the CNBV.
- Seven capital investments in the banking sector, one in the stock market sector, and four divestments of IBMs.
- 38 opinions to the SHCP as part of the process of revision of acts whose authorization corresponds to the attributions of said entity.
- Several operational and legal authorizations to Indeval, BMV, two SOFIPOs, seven credit unions, and three financial groups.

● 3.4.5 NEW ISSUANCES IN THE STOCK MARKET

In accordance with the LMV, it is essential for any loan certificate or security to be entered in the RNV before being publicly offered or intermediated in the Mexican stock market. The CNBV is the authority in charge of organizing said Registry and with the power to carry out the registration of securities, as well as the update, modification, official record, suspension, or cancellation of the registrations carried out. Furthermore, the CNBV also has the ability to authorize public offerings of securities and the public dissemination of the corresponding information through prospectus, supplements, information leaflets, placement notices, and informational notices, among others

In exercising these powers, during 2016 the CNBV granted the following authorizations:

Capital market

- Shares
 - Six companies carried out primary public offerings of capital stock among investors, for a total amount of \$18.619 billion MXN, according to Annex H (New Issuances in the Stock Market).
 - Two companies conducted public takeover bids (OPA) as a result of the corporate restructurings that took place during the year, according to Annex H of this report.
- One company, Newbelco SA/NV enrolled in the RNV the total of the representative shares of their capital stock without the use of a public offering, and 29 updates to the registration of shares in the RNV were authorized, mainly as a result of the modification of the capital stock structure, according to Annex H.
- Capital certificates: CKDs, Cerpis, real estate trust certificates (CBFIs) and CBFES
 - 45 CKDs were placed: twelve initial public offerings, 32 capital calls of previously placed certificates and one subsequent public offering, for a total amount of \$24.311 billion MXN, according to Annex H.
 - Two companies issued CBFIs: one initial public offering, and one subsequent public offering, together amounting to \$4.006 billion MXN, according to Annex H.
 - The issuance of the first Cerpi (MIRA) for a maximum amount of \$4 billion MXN.
 - The first CBFES (Fibra E) public offering CBFES for an amount of \$11.835 billion MXN, according to Annex H.

The placement of CKDs, through the stock market, will result in greater investment at the national level, which will promote the development of real estate (15%), infrastructure (35%), and private capital (49%). This last sector represents an alternative to invest in SMEs and, thus, to finance their projects.

On the other hand, the issuance of the two new Cerpi and Fibra E instruments will trigger investments in the development of urban properties of mixed or commercial use in Mexico during the next 4 years, as well as in energy projects and technological infrastructure for investment in promoted companies whose activities are in the energy and/or infrastructure sectors.

- Optional bonds
 - The CNBV registered 283 series of optional bonds during this year, for a total of \$14.428 billion MXN, placed by five issuers, according to Annex H.
- Structured securities
 - HSBC México, S.A., IBM, Grupo Financiero HSBC, Scotiabank Inverlat, S.A. IBM, and Grupo Financiero Scotiabank Inverlat, issued structured securities carrying out placements of structured bonds for a total amount of \$4.455 billion MXN, according to Annex H.

It should be noted that the structured securities are financial instruments which give investors the possibility to obtain yields greater than those of the market, but whose performance and even recovery percentage of invested capital (partial or total) depends on the performance of an underlying asset used as a reference (stocks, interest rates, commodities, currencies, price indexes, etc.).

These types of instruments involve greater risk, and their demand stems from the need of a certain kind of investors to cover market risks or from investors, among which we can find institutional and qualified ones, who are seeking higher yields in exchange for greater risks.

Debt market

- Short, medium, and long-term securities certificates.

- Fifteen new preventive registrations of short-term securities certificates were made under the placement program model, for a total of \$140.7 billion MXN. Additionally, one preventive registration was updated in the RNV in order to increase the previously authorized amount in \$600 million MXN.

- 26 issuances of medium and long-term securities certificates in the RNV were performed. Several non-banking corporate and financial companies placed these certificates directly, for a total amount of \$39.6 billion MXN.

- Bank securities certificates and securities certificates issued by State-owned enterprises and decentralized public bodies.

- Nafin issued bank securities certificates of development banks for \$14 billion MXN, funds destined to finance activities listed in its Organic Law.

- Seven IBMs placed issuances of bank securities certificates for a total amount of \$40.622 billion MXN, according to Annex H. It should be noted that the funds obtained from the placement of issuances of bank securities certificates were mainly destined to improve the liquidity and funding profiles of the issuers' balance sheets

- Petróleos Mexicanos (Pemex) and the Infonacot, carried out placements of bank securities certificates for a total of \$7.4 billion MXN, according to Annex H.

- It is noteworthy that the placements of bank securities certificates issued by Infonacot generate a larger portfolio for the institute, which allows affiliated workers to access preferential rates on loans aimed at the purchase of goods and the payment of services, including those of first need such as: household appliances, clothes, building material, or white goods, among others.

- Trust certificates (CBF) backed by mortgage loans, CBFs backed by assets, and other CBF operations that stand out without being asset-backed securities

- One CBF issuance, backed by mortgage loans, for an amount of \$14 billion MXN.
- 22 CBF operations, backed by assets, amounting \$27.534 billion MXN in total, regarding various assets such as receivables arising from credit agreements, leases, assignment of receivables with payroll deduction, and toll collection rights, among others, according to Annex H. The issuance of Evercore Brokerage firm, S.A. de C.V. stands out, in its capacity as issuer trustee, and of HSBC México, S.A., IBM, Grupo Financiero HSBC, as trustor of the receivables from the provisions made under the contract of simple credit opening conducted between the Federal Government and the trustor (in which the Government of Mexico City acts as the final recipient of credit and sole beneficiary of the resources), which approximate amount is \$1 billion MXN. The resources of this issuance will be destined for the development of works

that are considered to have an ecological impact (green bonus).

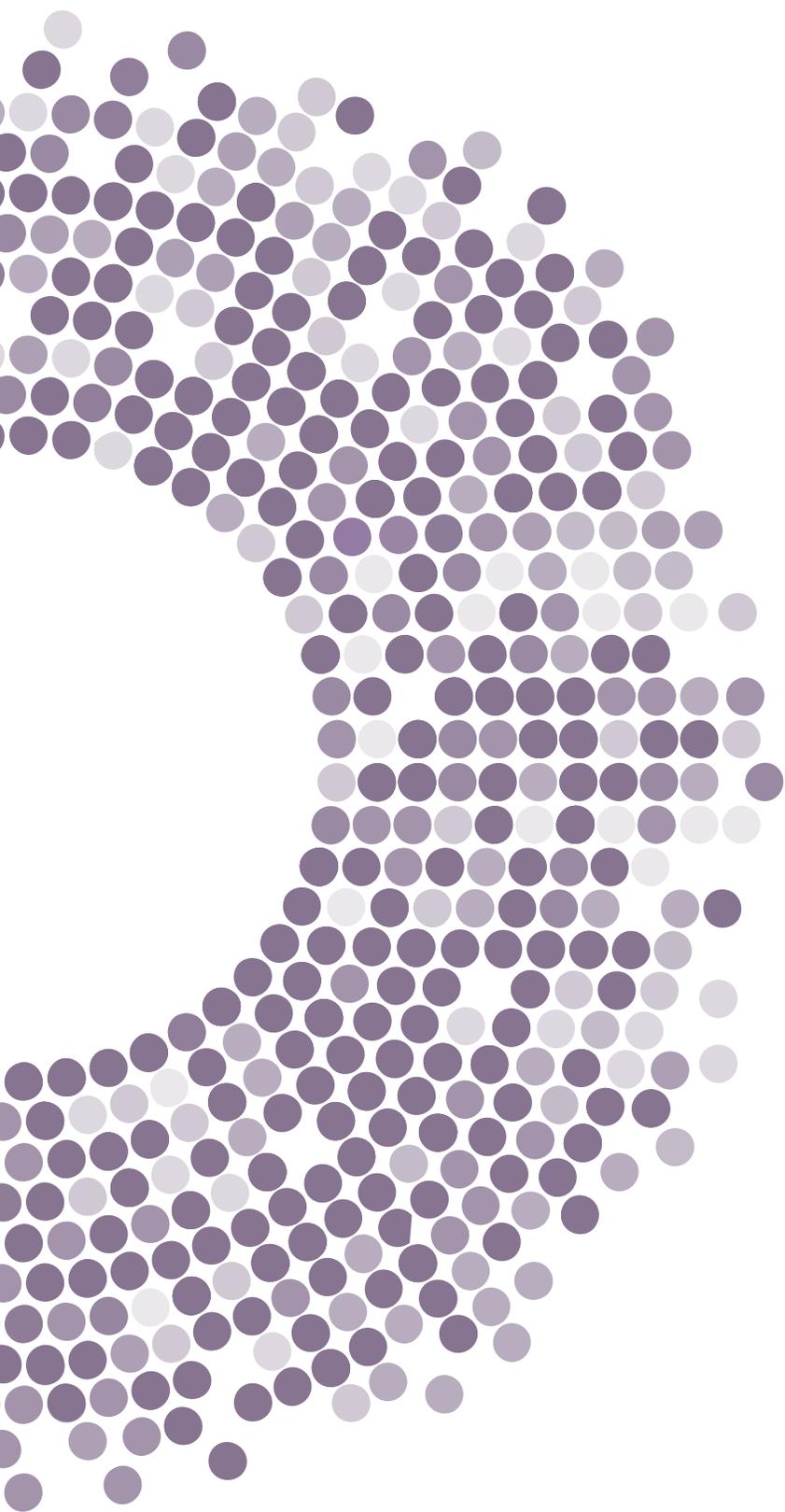
- Nine CBF issuances that stand out without being asset-backed securities, totaling \$20.5 billion MXN, according to Annex H.

Other authorizations

The CNBV has promoted the recurring issuer model among the issuers of securities, in order for them to have pre-approved forms that allow them to make issuances in a dynamic way, avoiding the review time by the CNBV and reducing administrative costs. With the above, it is possible for the issuers to take advantage of windows of opportunity in order to obtain financing through the securities market more readily.

Currently, 31 issuers have the CNBV's authorization to issue debt securities under the recurring issuer model, through programs, for a total amount of \$ 909 billion MXN.





4.

LEGAL TOPICS

4.1 INTRODUCTION

The legal management activities at the CNBV focus on ensuring a proper internal legal control through legal advice, to ensure that the CNBV's actions are properly founded and motivated; issuing offense opinions to encourage strict adherence to the applicable regulations by financial entities; representing the CNBV to defend the legality of its actions in the legal or administrative proceedings in which it is involved; and finally, meeting the information and documentation requirements that the CNBV is requested on behalf of the legal, tax, or administrative authorities of the country. The main legal management tasks carried out during the year are summarized below.



4.2 RELEVANT ISSUES OF THE YEAR

Reducing the backlog of attention to sanctions

As an effect of the adoption of strategies and modifications made to the sanction imposition process, in 2016 it was possible to reduce the backlog of sanctions. Furthermore, in order to ensure that sanctions have a dissuasive, exemplary, and timely impact through their efficient implementation, indicators have been established to reduce waiting times for sanction requests.

Among the strategies and modifications implemented to reduce the backlog, the following stand out:

- The implementation of a new RBA methodology, which has allowed the timely detection of those behaviors of financial intermediaries that deviate from the applicable legal framework, which, if not observed and sanctioned, could cause an impact on the financial system as a whole and on the interests of the investing public.
- Among the modifications to the sanction process, indicators were established to reduce the waiting time to attend requests, generating a new official resolution document model. The processes of supervision and sanction were strengthened, with the objective of being

efficient in the detection and processing of the conducts that the entities and natural persons conduct against the regulations.

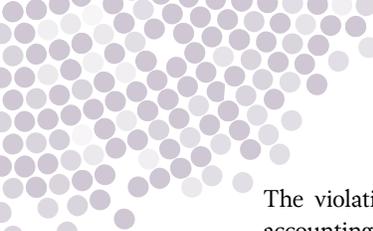
The backlog of approximately 49,000 pending requests for sanction has been offset to date, which were received at the beginning of the administration.

In addition to reducing the sanctions backlog, it has been possible to impose these sanctions in an effective and timely manner, thus inhibiting offending conducts by financial institutions, which translates into a greater soundness of the financial system. As a result of greater efficiency in the sanction imposition process, the number of addressed requests increased by 31% compared to 2015.

Sanction imposition to OHL

The CNBV, exercised its supervisory faculties by monitoring various behaviors contrary to the LMV and the CUE performed by OHL Mexico, S.A.B. de C.V., Concesionaria Mexiquense, S.A. de C.V., and Organización de Proyectos de Infraestructura S.A.P.I. de C.V., as well as by some of their officials. The CNBV imposed fines for 72 million MXN on the offenders, which represents the highest penalty imposed by the CNBV as a result of an investigation for violations of the LMV.





The violations to the LMV consisted in the incorrect accounting record of the guaranteed yield under various concessions, the disclosure of incorrect information that could mislead the investing public, the lack of verifiability of certain expenses included in the financial statements of the issuers, and failures of the Board of Directors in the authorization of transactions with related parties.

Derived from the violations mentioned in the previous paragraph, the CNBV penalized Galaz, Yamazaki, Ruiz Urquiza, S.C., (member of Deloitte Touche Tohmatsu Limited) with a \$4.2 million MXN fine, in its capacity as external auditor for OHL México, S.A.B. de C.V., Concesionaria Mexiquense, S.A. de C.V., and Organización de Proyectos de Infraestructura S.A.P.I. de C.V., and admonished five of its partners, which represented the first sanction imposed on an independent external audit firm.

In addition, the CNBV website published information on the sanction procedures followed against said company, its securities issuers branches, and certain relevant officers, as well as the external audit firm and five of its partners.

Bankruptcy and challenges to the case of the SOFIPO called FICREA S.A. de C.V., SFP

- **Bankruptcy.** The bankruptcy promoted by 35 creditors (savers defrauded by FICREA) was followed-up, according to the applicable regulations. The declaration of insolvency proceedings in bankruptcy was settled in October 2015. The appointed liquidator presented the list of creditors to the corresponding judge in April 2016, which was definitively recognized and communicated through the CNBV website. Creditors will benefit from the resources that the liquidator may recover from the sale of assets. During 2016, two partial payments were made in the months of June and December. The liquidator continued to take steps, which include auctions of FICREA-owned assets and the recovery of properties seized by the Federal Prosecution Service, in order to increase the assets to be paid to the recognized creditors.
- **Constitutional guarantees procedures (amparo).** During 2016, 98 Constitutional guarantees procedures (amparo) promoted by FICREA savers against the company's intervention, revocation, and omission of the supervision were addressed. 72 cases were conclusively resolved, cases in which claims were made for the CNBV's own acts, that is, it was confirmed that the actions of the

CNBV were adjusted to law in order to protect the interests of the savers. Among these issues, two are relevant: one settled by Mexico's Supreme Court of Justice, in which it was determined that the LACP does not violate the rights to be heard and of property, since the law considers mechanisms for the savers to recover the deposited resources; and another, in which a Collegiate Circuit Court determined that, on the occasion of the visit paid to FICREA in 2014, the CNBV was aware of various irregularities and proceeded to order its managerial intervention, so it did not act belatedly.

Strategies to improve compliance with the authority requirements

The CNBV has coordinated several working groups that bring together authorities and financial institutions, aimed to make agreements on improvements in the attention of requirements in order to obtain better results in the processes of the authorities. As a result, during this period the applications received increased by 10.5% over the previous year.

Notwithstanding the coordination actions and improvement strategies undertaken by the CNBV, and the substantial improvement in the levels of compliance of the financial institutions, it was necessary to include other elements that encourage better compliance in favor of the processes of the authorities. In this sense, and as part of the faculties of the CNBV, the imposition of sanctions is the necessary and forceful element to achieve this objective.

It should be noted that the Financial Reform increased the amount of sanctions; considering the volume of requirements and, therefore, of breaches, the imposition of sanctions could have significantly affected some financial institutions and the financial system as a whole. However, during 2015, the creation of a differentiated regime of sanctions was imposed in this matter, which complied with the principle of proportionality and inhibited non-compliance in the attention to the requirements of authority on behalf of financial institutions. Consequently, during the same year Article 22 was issued in the Federal Income Law for Fiscal Year 2016. An actuarial study was also conducted on the response times of financial institutions, with the purpose of setting criteria for the imposition of sanctions, according to the aforementioned article.

As a result, in the last quarter of 2016, the General Directorate of Offenses and Sanctions was proposed to impose sanctions for 279,602 offenses of financial institutions, in terms of attention to authorities,

committed during the period from 2013 to 2015. It is estimated that with this measure financial institutions will strengthen their structures to address this type of requirements, with the consequent improvement in the time and quality of the responses.

In addition, the following improvement actions were implemented:

- The user authorities of the Authority Requirements Processing System (SIARA) received training sessions in order to make the information requests in a clear and timely manner. This seeks to eliminate the requests for unnecessary information, which lead to overloads and costs, both for the entities that provide it, and for the CNBV and the requesting authorities.
- With the purpose of reducing the risk of rejection of applications, or even the invalidation of information obtained through requirements that do not comply with the formalities of the procedure, a review was carried out to update the faculties and fundamentals, as well as to register

and deregister users of requesting authorities that had changes in their management, structure, organization, or legal orders.

- An analysis of the files and information regarding the quality of the responses presented by the financial entities was carried out, as a result of the participation in work groups derived from the subscription to the Collaboration Bases, to inhibit the identity theft through the financial system in Mexico.

Opportunity areas were identified for better identification of the clients and users of financial services, which allows for certainty about the identity of a person linked to a particular transaction, product, or process involving the use of a financial instrument. In this sense, work has been carried out with the areas of supervision, regulation, and regulatory policy of the CNBV, so that through the issuance of relevant regulation and the collaboration of the National Electoral Institute (INE), financial institutions can rely on more elements of identification and knowledge of their clients.

4.3 REGULAR ACTIVITIES

● 4.3.1 SANCTIONS

The imposition of sanctions is one of the powers of the CNBV which promotes that activities, entities, and individuals, comply with the laws and provisions that regulate the financial system.

During the period, 2,120 administrative sanctions (admonitions, fines, disqualifications) were issued

to the supervised financial entities, as well as to various natural and legal persons that violated the applicable regulations. Of these sanctions, 54.7% were admonitions, in 45.1% of the cases fines were imposed (amounting to over \$339 million MXN at the end of 2016), and in the remaining 0.1%, two officials were disqualified, as detailed in Annex I (Sanctions).

● 4.3.2 OFFENSE OPINIONS

Throughout the year, the Federation's Fiscal Attorney General Office (PFF) and the PGR, as well as other authorities, required technical support for the special offenses foreseen under the

laws of the SFM. During this period, the CNBV issued 159 offense opinions (of which 103 were positive) to support prosecution, when appropriate. This allowed to perform the relevant procedures against the offenders.

● 4.3.3 CONTENTIOUS AFFAIRS

Nullity procedures, revision appeals, remissions, revocations and state liability

In the course of 2016, 591 cases were addressed, of which 114 were revision appeals, 298 nullity procedures, 42 requests for the remission of fines, and 137 state liability claims. 97 revision appeals were drafted, of which 57 confirmed the contested act. There were also 83 resolutions of state liability issued, of which 80 were discarded and in three of them, it was determined that there was no irregular activity on behalf of the CNBV. Likewise, eighteen applications for the remission of fines were resolved and 90 sentences of nullity judgments were received, of which 57 have been favorable to the CNBV; twelve of these are considered final, while the remaining 45 have been challenged and are in second instance review.

Constitutional guarantees procedures (amparo)

During the year, 3,309 injunctions of various types were addressed: seizure of bank accounts, constitutionality of financial rules, imposition of sanctions, cancellation of registrations, suspension of operations, and rights of petition, among others. From these procedures, 381 were brought against acts of the CNBV in its capacity as authorizing authority (98 include procedures related to the FICREA case); the remaining 2,928, claim acts of the CNBV as executing authority (freezing or seizing bank accounts).

During the same period, 1,280 cases were concluded in a definite manner, corresponding to both prior years and to 2016, of which 164 were related to lawsuits against CNBV acts, including 72 related to FICREA, and which were resolved favorably. The rest correspond to procedures in which the CNBV was designated as executing authority.

Civil and mercantile procedures

41 civil and mercantile procedures were followed-up during fiscal year 2016. As a part of it, the CNBV initiated proceedings against financial entities or was placed on trial, as a defendant or third call to trial. In 27 cases, which were resolved favorably to the interests of the CNBV, the SAE was designated as liquidator or the registration of the financial entities involved before the respective Public Registration was ordered to be cancelled. The remaining issues were still in process at the end of the year.

Revocations

The CNBV, through its Board of Governors, revoked the authorization to operate from eight financial entities in 2016: three credit unions, one SOFIPO, one investment management company, one representative office, one SOCAP, and one federation; the foregoing was for incurring in the infractions and assumptions established in the applicable laws.



Likewise, upon request of an interested party, it revoked the authorization to operate from a SOFIPO and a representative office. The details are presented in Annex J (Revocations).

Registration cancellation of currency exchange centers and money transfer companies

In 2016, the registrations of 42 compelled subjects were cancelled: 38 currency exchange centers and four money transfer companies. In 31 cases, the cancellation of registration was made at the request of the respective entity, while in 11 the cancellation originated because the entities committed some infraction to the applicable regulation.

Labor lawsuits

Regarding labor, 49 controversies were addressed, of which 11 resolutions were favorable to the CNBV (nine arbitration awards and two amparo sentences). In addition, four arbitration awards were executed in which the CNBV was only condemned to the payment of ancillary obligations or to the delivery of proof, which entailed savings of approximately \$6 million MXN.

Procedures before the National Commission of Human Rights (CNDH)

During 2016, 13 procedures were taken before the

CNDH, of which seven were concluded in a favorable manner to the CNBV with only six procedures still in process at the end of the year.

Procedures before the Internal Control Body (OIC)

Six procedures were followed up before the OIC, of which one is in process and five were concluded, that is, they did not determine any administrative responsibility.

Transparency, information access, and protection of personal data

In May 2016, the new Federal Law on Transparency and Access to Governmental Public Information (LFTAIP) came into force, and from July 15th, 2016, the Vice-Presidency assumed ownership of the Transparency Unit. During the reporting period, this unit received 749 requests for information and 46 resources for reviewing the responses granted by the CNBV.

Furthermore, in September the necessary steps were taken to publish information on the applicable transparency obligations, both in the National Transparency Platform and on the CNBV's website. At the end of the year, the progress in compliance amounted to 45%, and work should be completed in 2017.





Authority and private requirements processing

During the year, 2,580 requirements were received and addressed, of which 2,395 were issued by various authorities (legal, labor, or public ministries) which do not correspond to the blocking or seizing of accounts or operations carried out by the public with supervised entities. At the end of the reporting period, 90% of the requirements were addressed.

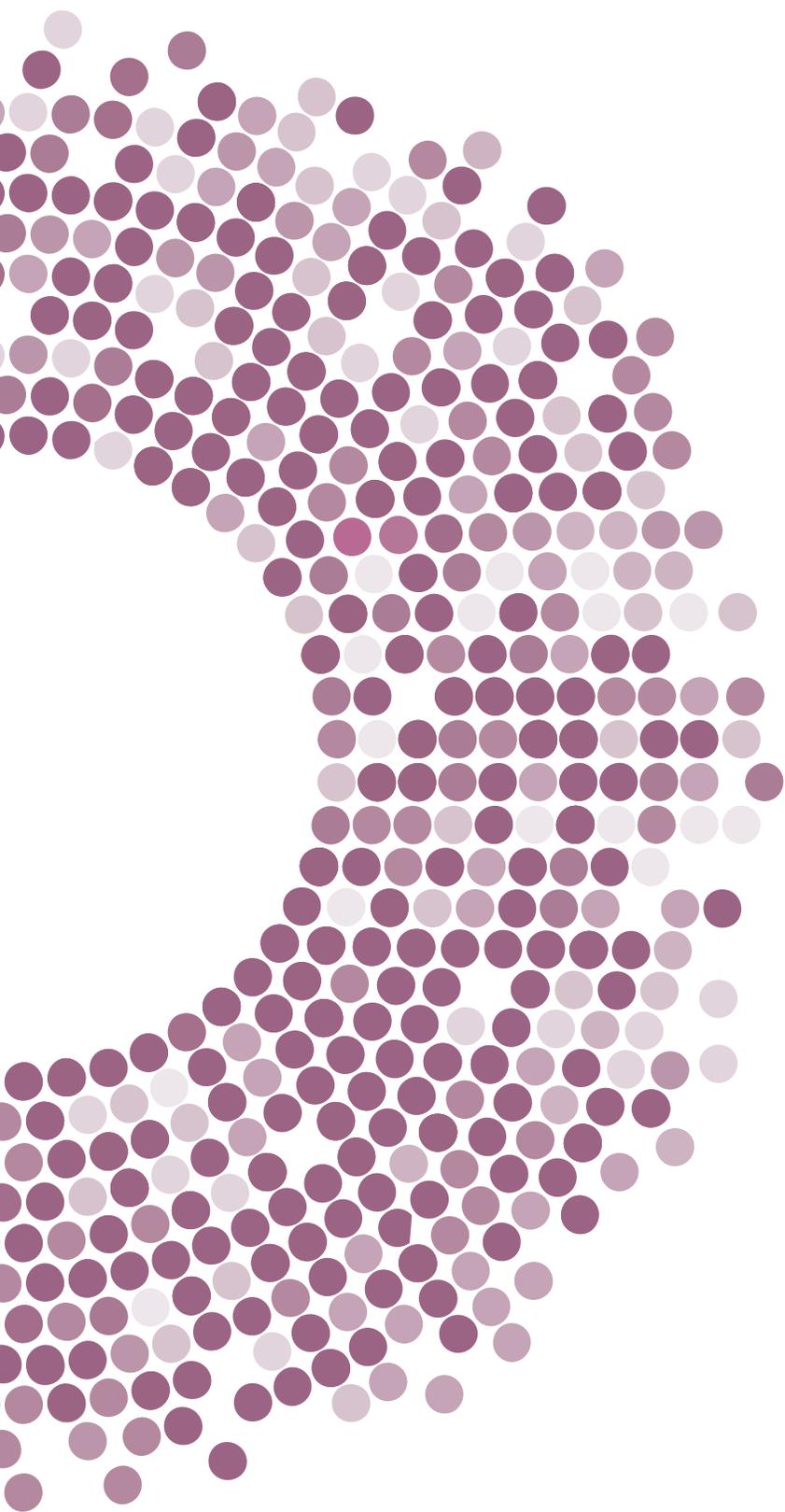
On the other hand, 185 written comments were submitted by individuals, in which they make complaints and reports that do not fall within the scope of competence of the CNBV, as they are conflicts

between users and financial entities. Of particular note are those related to identity theft of users of financial services, who were served according to the collaboration bases to inhibit identity theft through the financial system in Mexico, signed in February 2016 between the Attorney General for Taxpayer Defense (Prodecon), the Office of the Federal Prosecutor for the Consumer (Profeco), the SHCP, the National Institute of Transparency, Access to Information and Protection of Personal Data (INAI), the Mexican Banking Association (ABM), and the INE. More than 70% of these requests were served at the end of 2016.

● 4.3.4 ATTENTION TO OTHER AUTHORITIES

During 2016, 182,492 requests were received from competent legal, tax, and administrative authorities, through which they request information and documentation on financial transactions of customers and users of financial services, or the seizure, unblocking, transfer, or placement of funds. For the management of these requirements, it was necessary to issue more than seven million official letters, 98% of which were notified through the platform called the Interagency Information Transfer System for the Attention to Authorities (SITIAA).

The intervention of the CNBV as a coordinating entity that facilitates the obtention of information and documentation, protected by financial secrecy of the entities, for the competent authorities, has been a fundamental pillar of action by the authorities, since such information constitutes an element of conclusive evidence in many of the processes of delivery and procurement of justice.



5.

THE CNBV'S LINK WITH ITS ENVIRONMENT

5.1 INTRODUCTION

This section contains the main results of four different activities. First, the CNBV's participation in various schemes of international cooperation in regulation and supervision matters, both financial and banking. In this regard, we describe the relevant results derived from the existing links with foreign bodies, as well as those reached through collaboration mechanisms. In this way, the aim is to strengthen international cooperation of the CNBV with other authorities homologous to it and to consolidate Mexico's position in the world.

Secondly, the activities carried out regarding economic studies are presented, which focus on strengthening the regulation and supervision of the CNBV. This is achieved through the development of research on

issues of interest to the institution, as well as technical documents aimed at improving the understanding of the SFM and supporting decision making.

This chapter contains, in third place, the main activities carried out in the field of financial inclusion, the objective of which is to promote greater access to basic financial services for the population at the national, regional, and global levels.

Finally, in fourth place, the dissemination of institutional messages through the national and international media on the behavior of regulated and supervised intermediaries, as well as the actions undertaken by the CNBV in fulfillment of its mandate are described.

5.2 RELEVANT ISSUES OF THE YEAR

For the CNBV, permanent interaction with national and international bodies related to financial regulation and supervision is a relevant instrument for continuing to deploy resources and efforts in the continuous improvement of its functions. In this way, through its link with various instances, it gets feedback on its performance and contributes with its own experience. In this matter, the following actions stand out:

Memorandum of understanding for central counterparties

The CNBV, Banxico, and the CFTC of the United States of America, agreed to the signing of a Memorandum of Understanding (MOU) on cooperation and information exchange, on central counterparties of derivatives and entities that provide the service of registration and storage of transactions with derivatives.

The signing of this MOU, as the first international instrument signed by the CNBV jointly with another Mexican authority, will contribute to the fulfillment of the commitments made at the meeting of the G20 member countries held in September 2009, as well as to maintain an adequate inter-institutional coordination with the CFTC and Banxico in the development of cooperation and information exchange activities.

Presence in international forums

The CNBV was ratified in the presidency of the Inter-American Regional Committee of the International Organization of Securities Commissions (IOSCO) for a second period, from 2016 to 2018, which will be a fundamental step in the implementation of the new international standards embodied in the new Enhanced Multilateral Memorandum of Understanding (MMOU) of this organization, which allows authorities to share non-public information for the exercise of their functions.

Evaluation of the Financial Sector Assessment Program (FSAP)

During the year, officials from the International Monetary Fund (IMF) and the World Bank visited us as part of the FSAP, to verify compliance with international standards in the regulation and supervision of the sectors within the institution's scope. The CNBV, together with the SHCP, Banxico, the National Commission of Insurances and Sureties (CNSF), the Consar, the Condusef, and the IPAB, met the different requirements for that purpose.

According to the results of the visit, the aforementioned multilateral organizations pointed out that significant progress has been made in strengthening the prudential



supervision of the financial sector, although there are still important gaps in the consolidated supervision framework. The IMF published the corresponding report on November 22nd, 2016, on its website.

National Policy on Financial Inclusion

The CNBV, in its capacity as Conaif's Executive Secretary, and in collaboration with the SHCP, Banxico, and other authorities of the Council, led the efforts to detail and disseminate the National Policy on Financial Inclusion.

The definition of this policy seeks to ensure that all Mexicans, without distinction, participate in the benefits generated by the financial system, through concrete and properly coordinated strategies between the different actors in the public and private sectors, within a framework that seeks the soundness and stability of the financial system.

As for its dissemination, the CNBV together with the SHCP coordinated the holding of the Second International Forum on Financial Inclusion in 2016, during which President Enrique Peña Nieto officially announced the policy in the company of Her Majesty, Queen Máxima of the Netherlands, serving as the United Nations Secretary General's special advocate for inclusive finance.

Migration to the National Digital Platform of the Mexican Government www.gob.mx

The joint work of all the vice-presidencies allowed the CNBV to comply not only properly and in due time, but two months before the deadline, with the migration process of its former website www.cnbv.gob.mx to www.gob.mx/cnbv, the most important digital project of the Mexican Government.

Each vice-president carried out an inventory and revision of its contents, which resulted in the migration of 775 documents and 205 texts under a new design and wording, in addition to the creation of around 50 informative notes.

Use of Twitter as a tool to bring the CNBV closer to society

In 2016, the CNBV managed to position its institutional Twitter account as one of its dissemination channels to maintain communication with society, adding more than 60,000 followers. Through this channel, the institution has given a response and assisted the users of the financial system, both directly in the areas that concern it, and indirectly through channeling them to the corresponding institutions, as well as following up on the corresponding solution. It should be noted that, once the established criteria were met, the institutional account received a verified account badge from Twitter Inc.



5.3 EVENTS OF THE YEAR

February 4th

Collaboration agreement between the ABM and the Ministry of Public Administration (SFP)

Signing of the collaboration agreement for transparency and integrity in governance and the banking system, between the ABM and the SFP, to prevent and combat corruption in the public and private spheres.



March 4th

2016 "ProDesarrollo" annual assembly

Attendance at the inauguration of the 2016 "ProDesarrollo" annual shareholders' meeting, where the CNBV's progress in financial inclusion and AML/CTF were discussed.



February 18th

Collaboration bases to inhibit identity theft

The INAI, INE, ABM, CNBV, Prodecon, Condusef, and Tax Administration Service (SAT) signed the Collaboration Bases to inhibit identity theft through the financial system in Mexico; the SHCP signed as witness of honor.



March 11th

79th Banking Convention

Participation of the CNBV in the opening ceremony of the 79th Banking Convention with the theme: "Mexico and its banking: main actors in the new economic order", held in Acapulco, Guerrero.



February 29th

Agreement for the exchange of information between the National Housing Commission (Conavi) and the CNBV

Signing of the agreement for the exchange of information between the CNBV and the Conavi, so that users of the Mexican financial system and the housing sector have information that will allow them to take better decisions.

March 14th

Agreement between the BMV and Euroclear Group

Attendance at the celebration of the agreement between the BMV and Euroclear Group, to create the company BMV Fondos, where the existing investment funds will be visible.



March 16th

11th Mexican Private Equity Summit

Participation in the panel "Challenges in the regulatory scenarios" of the 11th Mexican Private Equity Summit.



March 31st

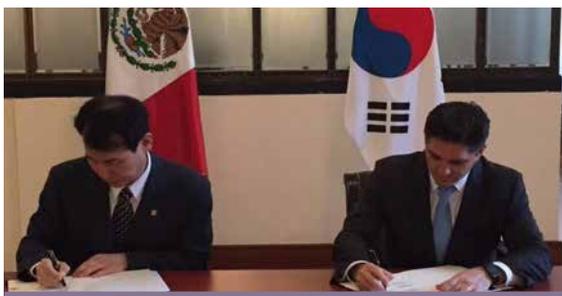
VII Summit of heads of state of the Pacific Alliance

Participation with the Financial Superintendence of Colombia, the Superintendence of the Securities Market of Peru, and the Superintendence of Securities and Insurance of Chile in San Andrés Island, Colombia.

April 4th

Mexico and the Republic of Korea sign MOU

Mexico and the Republic of Korea sign MOU for cooperation and mutual assistance regarding financial supervision.



April 4th

Annual Meeting of the Mexican Association of Popular Financing Companies (Amsofipo)

The CNBV participated in the conferences held at the Annual Amsofipo Meeting.

April 26th

Iberoamerican Institute of Securities Markets (IIMV) Meeting

Mexico hosted the IIMV. The aforementioned meeting was about corporate management with the participation of Elvira Rodríguez, president of the National Securities Market Commission of Spain.



May 2nd

Mexican Association of PE & VC Funds (Amexcap) Event

Participation in the event organized by Amexcap with the theme Cerpi: *benefits and implications for the private equity sector and institutional investors.*

May 11th and 12th

IOSCO Annual Conference

Mexico's participation in the IOSCO Presidents Committee and in the annual conference.



May 26th and 27th

Financial Stability Board

Participation in the 10th Meeting of the Regional Consultative Group (RCG) for the Americas.

June 2nd

7th Issuers Forum

Participation in the 7th Issuers Forum, with the topic "Measures to boost the soundness of the stock market".

June 14th

Presentation of results of the 2015 National Survey on Financial Inclusion (ENIF)

Press conference of the CNBV, the SHCP, and the National Institute of Statistics and Geography (Inegi), to announce the results of the 2015 ENIF.



June 16th

2nd National Convention Amsofipo

Participation of the CNBV in the inauguration of the 2nd National Convention of Amsofipo.

June 21st

International Forum for Financial Inclusion

Participation in the inauguration ceremony, led by President Enrique Peña Nieto, and in the panel "Evidence of the positive impact of financial inclusion on people's quality of life".



June 22nd

2016 Invest in Mexico Summit

Participation in the 2016 Invest in Mexico Summit, with the topic "Perspectives of the Mexican financial sector".

July 18th

National Anti-Corruption System

Attendance to the event "Promulgation of the laws that give rise to the National Anti-Corruption System", headed by President Enrique Peña Nieto.

July 27th

Meeting for the installation of the Tax Executive Committee of the National Conference of Governors (Conago)

Participation in the Tax Executive Committee of Conago, installed with the aim of proposing actions aimed at strengthening state public finances, as well as boosting tax federalism.



August 23rd

1st National Convention of Retirement Funds Administrators (afores)

Attendance to the 1st National Convention of AFORES.

August 25th

PGR's adhesion agreement

Participation of the PGR in the Agreement of adhesion to the bases of collaboration to inhibit identity theft through the financial system in Mexico.



August 31st

Participation in the Fibra E Panel

Participation in the panel “*Fibra E: New alternative of investment in the capital market*”, organized by the American Chamber of Commerce of Mexico.

September 11th

Group of Governors and Heads of Supervision (GHOS)

Participation in the GHOS meeting, in Basel, Switzerland, in which the progress of post-crisis regulatory reforms to reduce the excessive variability of risk-weighted assets was analyzed.

October 13th

Opening bell in the BMV

Attendance at the commemorative Opening Bell at the BMV, on the celebration of the first 100 years of the newspaper El Universal.

October 20th and 21st

IOSCO Board Meeting

Attendance at IOSCO Council meeting in Hong Kong, China.

October 25th

Boosting Mexico Forum (Foro Impulsando a México)

Participation in the panel “Saving as an engine to boost Mexico's growth”, in the Forum “Boosting Mexico” (*Impulsando a México*), organized by Banco Interacciones and El Financiero-Bloomberg.

October 27th

XI ABM Risk Management Symposium

Participation in the XI ABM Risk Management Symposium.



November 10th

2016 SNEF

CNBV's participation in the 9th edition of the 2016 SNEF.



November 22nd

XV National Microfinance Meeting

Participation in the inauguration ceremony and in the panel on “*Opportunities and Challenges of the Legal Figures of the Microfinance Sector*” within the XV National Microfinance Meeting, chaired by the Secretary of Economy, Ildefonso Guajardo.



November 30th

Opening bell for the first issuance of Cerpi and Fibra E in the BMV

Attendance at BMV's ceremony for the issuance of two new financial instruments: Cerpi and Fibra E.



December 1st

Meeting with public officers

Attendance at the event “Four years transforming Mexico”: meeting with public officers, headed by President Enrique Peña Nieto.



5.4 INTERNATIONAL AFFAIRS

Presence of the CNBV in multilateral organizations

The CNBV is a member of several international organizations in regulation and financial supervision matters, including the banking, stock market, savings, and loan sectors. In particular, it participates in 73 international working groups that held meetings, exchanged information, and addressed the evaluations of standards implementation in different subjects, during 2016.

As a result of its participation in the working groups, collaboration has been further strengthened with agencies dealing with specific AML/CTF, financial inclusion, and regional market integration issues, as well as with central banks who conduct banking supervision duties, according to Annex K (List of International Committees and Working Groups in which Officials of the CNBV Participate).

Due to its relevance, participation in the following forums stands out:

- Financial Stability Board (FSB).
- Basel Committee on Banking Supervision (BCBS).
- International Organization of Securities Commissions (OICV/IOSCO).
- Financial Action Task Force (GAFI / FATF).

Through these participations, the CNBV contributed to the development, adoption, and evaluation of international standards and best practices in this area. This allowed strengthening the regulatory framework of the current financial system in Mexico and favored the exchange of experiences with homologous authorities in other countries. Cooperation with these agencies provided a broad perspective of the current market trends, providing valuable insights to identify potential risks and vulnerabilities in financial markets in a timely manner. With these activities, the positioning of the CNBV in the international environment was strengthened.

As these agencies issue recommendations with a worldwide impact, it is of the utmost importance that the design of such recommendations includes the views of jurisdictions with financial markets of different size and strength. The contributions of the CNBV in these

forums help finding an adequate balance and building an inclusive reference framework.

In addition to attending meetings and working groups, the CNBV contributed to the development of relevant documents prepared jointly by various authorities and multilateral organizations by providing information and expert opinions, with the purpose of generating principles, standards, recommendations, and guidelines for achieving a more stable, upright, and transparent international financial system. On the other hand, the CNBV also participates in peer reviews that are carried out among homologous authorities at the international level, regarding the implementation of the issued standards that resulted from the financial crisis of 2008.

During 2016, the president of the CNBV continued to lead the region's efforts in financial matters, through the presidency of two bodies: the Inter-American Regional Committee (IARC) of IOSCO, which comprises 28 authorities for the regulation and supervision of the markets of capitals and derivatives of the Americas; and the Council of Securities Regulators of the Americas (COSRA), composed of over 50 members, including authorities, self-regulatory bodies, and other entities in the stock market sector.

While presiding over these agencies, the CNBV promoted the identification of common risks and the discussion of regulatory trends that would promote the healthy and sustainable growth of stock markets in the region. To this end, a joint meeting between IARC and COSRA was held in 2016, as well as another meeting with members of the IARC only.

International Cooperation

Cooperation mechanisms

The CNBV has the power to develop and negotiate legal instruments and agreements with international organizations or authorities from other countries that have regulation and supervision capabilities similar to theirs. These mechanisms facilitate international cooperation to exchange information in order to ensure regulatory compliance, conduct inspection visits to entities located in other jurisdictions and implement coordinated actions of common interest, provide and receive technical assistance, and share alerts to warn of potential risk situations that could affect the stability of financial systems. According to the number of involved

parties, cooperation mechanisms may be bilateral or multilateral. Depending on the topics of their scope, they can be banking, stock exchange, for both sectors, or specialized.

In this sense, during 2016, the CNBV continued to strengthen its international cooperation platform through the negotiation and signing of five MOUs, thus fostering a solid policy of international cooperation.

In addition, two confidentiality agreements and one addendum to the MOU held with the Bank of Spain were signed, to include the European Central Bank within its framework. These instruments have the following characteristics:

- In terms of scope, four of the five MOUs are bilateral and one is multilateral, while the two confidentiality agreements and the addendum to the MOU signed with the Bank of Spain are multilateral.
- Taking into consideration their subject matter, three MOUs refer to stock markets, one to the banking sector, and another to both sectors (banking and securities), while the two confidentiality agreements cover issues on crisis management and bank resolutions.
- According to the jurisdictions involved, the countries or regions with which these agreements were signed are the following: European Union, United States of America,

Republic of Korea, and People's Republic of China.

Once the MOU was signed, the CNBV strengthened its cooperation network and positioned at the international level as an authority capable of supporting and receiving support from other financial authorities in the exercise of its functions.

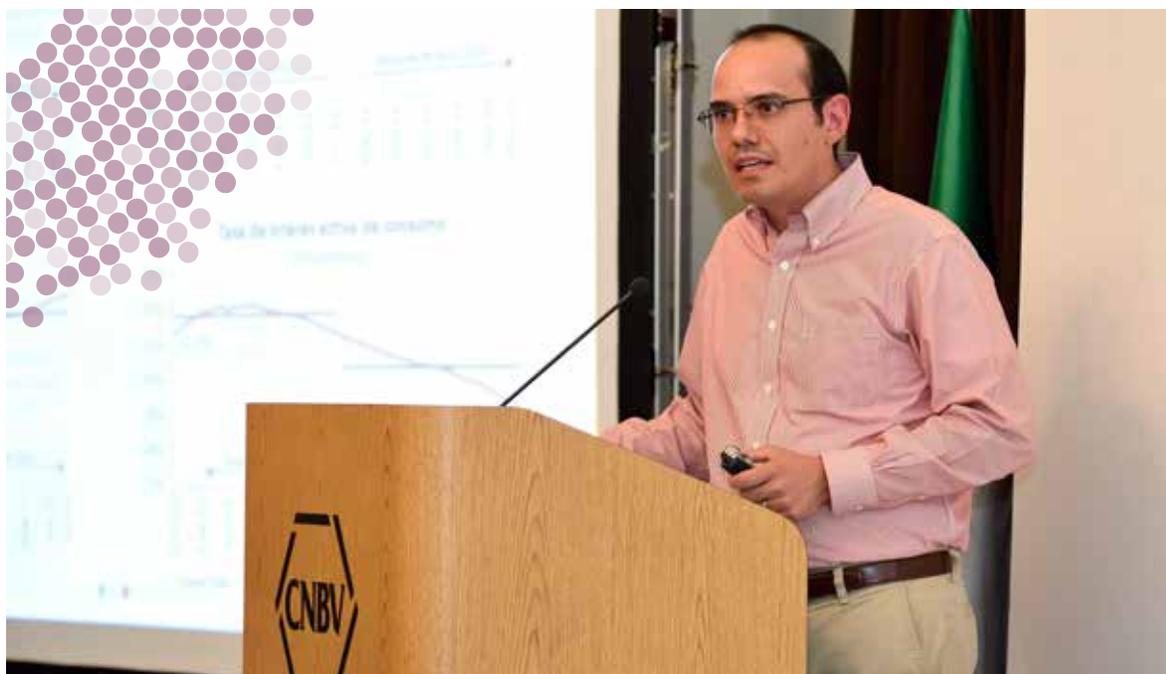
Exchange of information

Given that obtaining reliable and timely information is indispensable for proper decision-making and effective supervisory work, the CNBV has broad powers to request and provide assistance to supervisory and regulatory institutions in other countries.

In connection with this topic, during the year 2016 an intense effort of information exchange was carried out with multiple authorities from abroad, with which the CNBV continued to strengthen its global presence as a reliable authority that promotes international cooperation. Thus, 113 requests for information were handled by different internal areas, including areas of supervision, as well as 98 requests for assistance from foreign authorities. In general, the purpose of this information was to:

- Support the decision-making of authorization processes for the establishment of new intermediaries or the appointment of managers.
- Provide elements for the proper supervision of financial institutions.





- Ease the investigation of possible violations or non-compliance with applicable regulations.
- Support AML/CTF activities.

Cross-border inspection visits and cooperation

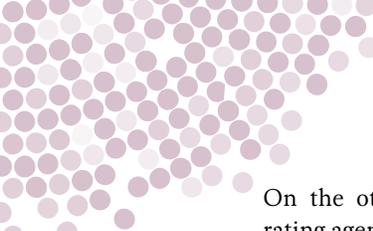
International cooperation between supervisory authorities is not limited to the exchange of information, but also involves joint or coordinated inspection activities on supervised entities.

In particular, cross-border inspection visits are a fundamental part of supervision, since they allow first-hand knowledge of the situation of the supervised entities in the jurisdictions involved and, where appropriate, to define corrective actions that support their stability and healthy development.

In this regard, the CNBV supported the following authorities to carry out inspection visits:

1. Prudential Regulatory Authority of England, in charge of banking supervision in that jurisdiction, to carry out an inspection visit to HSBC.
2. Securities and Exchange Commission (SEC), supervisory and regulatory authority in the United States of America regarding stock exchange matters, for a visit to HR Ratings.
3. Federal Reserve Bank of New York, regulatory and supervisory authority of the banking system in the United States of America, to make an inspection visit to Banamex.
4. European Central Bank, in charge of banking supervision of the European Union and responsible for the Single Supervisory Mechanism, to carry out an inspection visit to BBVA Bancomer.
5. Securities and Exchange Commission (SEC), supervisory and regulatory authority in the United States of America regarding stock exchange matters, to actively collaborate in the investigation on the Mexican issuer Homex, S.A.B. de C.V. (Homex).

In addition to the above, international cooperation was also carried out through the tasks performed in supervisory colleges and crisis management colleges. These working groups provide a space for supervisors of the same global financial entity or group, with operations in multiple jurisdictions, to liaise with each other to address issues of common interest. Participation in these colleges enabled the CNBV to join forces with the supervisory authorities of five internationally active banking institutions that maintain operations in the country (some of them of systemic importance at a global level), in order to agree on joint actions in significant aspects.



On the other hand, the participation of securities rating agencies in the supervisory college was relevant since it gave continuity to international coordination, in line with the recommendations issued by IOSCO.

Technical assistance

Financial regulation and supervisory methods have varying degrees of progress among countries. It is therefore important to exchange experiences and share knowledge that strengthen the work of regulatory and supervisory agencies. The integration of Mexican financial markets into the global financial system makes it necessary for the CNBV to strengthen its bilateral relationship with foreign counterparts, other participants in the financial industry, and international organizations.

In this context, the CNBV carries out and receives technical assistance visits, whose purpose is to analyze issues related to regulation and financial supervision, which is within the jurisdiction of this institution. Based on the recognition given to the level of development of financial supervision and regulation in Mexico, during the year the CNBV received 21 authorities, agencies or entities from abroad, who requested the support of the institution to receive technical assistance and share experiences through visits that revolved around multiple issues, such as regulatory changes and their impact on the financial system, international cooperation for supervision purposes, regulation applicable to SOCAPs, RBA, financial inclusion, and Latin American financial integration, among others, according to the contents of Annex K of this report.





5.5 RESEARCH AND ECONOMIC STUDIES

During 2016, diverse economic research studies, reports, and technical notes on issues related to the mandate of the CNBV were carried out. Research and technical products covered aspects of interest to the national financial authorities, and provided valuable technical elements to guide some of the substantive tasks of the CNBV, supporting decision-making and enriching the debate on different issues.

As part of a continuous effort to provide useful information to specialists and the general public, four reports on financial savings and financing were published in Mexico, with quarterly figures for the second half of 2015 and the first half of 2016.

In this regard, the corresponding database was also updated, which allows figures to be used to quantify two indicators that are tracked in the 2013-2018 Pronafide: financial savings, as a percentage of GDP, and internal financing to the private sector, as a percentage of GDP. The database and the reports are available on the CNBV's website.

Furthermore, the economic research efforts were geared to provide specialized technical analysis as support in the development and design of the secondary regulation issued by the CNBV, in order to support decision making and thus complement the diagnosis of best practices and international trends, as well as to guide the participation of the CNBV in some multilateral forums of banking, stock market, and financial supervision and regulation.

First, the necessary macroeconomic scenarios were designed for performing stress testing exercises for IBMs and for brokerage firms, with the objective of evaluating whether the net capital of these entities would be sufficient to cover the losses they may incur in the adverse macroeconomic scenarios posed. Secondly,

the program of seminars by experts continued, with the participation of recognized researchers from higher education institutions and professionals from the industry and the public sector, as rapporteurs, in order to maintain links of cooperation and to be ahead of the curve regarding relevant issues that may have an impact on the financial system.

In addition, the economic and market report was prepared and published weekly, an internal report summarizing the main indicators published on the Mexican and global economy, the performance of the main stock markets, Mexican debt market yields, and the foreign exchange market, among other relevant aspects. In addition, in order to provide an overview of the state of the financial system as a whole, two monthly reports were prepared, one on Mexico's macroeconomic situation and another on the behavior of the financial system as a whole. These reports are disseminated within the CNBV and seek to support decision-making through updated knowledge of the main economic and financial indicators.

Finally, the CNBV actively participated in forums, events, and working groups, both in Mexico and internationally, in order to share findings and exchange experiences with various experts in economic, banking, and financial matters. In this sense, we participated with other countries and institutions in the design and development of research documents whose objective is to guide and outline recommendations on the adoption of international best practices. These documents include: "SME Financing and Equity Markets", published by the World Federation of Exchanges (WFE); "Strengthening Corporate Governance Codes in Latin America," published by the Organisation for Economic Co-operation and Development (OECD); and "Survey on Disclosure of Corporate Governance of Company Groups", forthcoming by the OECD.



5.6 FINANCIAL INCLUSION

Execution of the Second International Forum on Financial Inclusion

The CNBV was in charge of the coordination, logistics, and development of the Second International Forum on Financial Inclusion. This event brought together scholars, public officials from national and international organizations, consultants, entrepreneurs, and company executives who offer products and services focused on the base of the pyramid. Besides the presentation of the National Policy on Financial Inclusion, the positive impact of financial inclusion on people's quality of life was also discussed, as well as technology as their facilitator and knowledge-building on finance to transform behaviors.

Publication of the Seventh National Report on Financial Inclusion

The seventh edition of the National Report on Financial Inclusion was published, which is issued annually since 2009. This report followed the main indicators of financial inclusion and the evolution of its four dimensions (access, use, consumer protection, and financial education). Likewise, topical issues were analyzed, highlighting the challenges and progress that are envisaged, based on a more analytical wording than in previous versions.

In particular, the condition of the financial infrastructure, savings and loans to individuals, savings for retirement, as well as the evolution of transactions, consumer protection, and financial education efforts, were analyzed.

In addition, new topics were included, among them: the results of the 2014 Global Findex World Bank survey, the performance and importance of development banks in financial inclusion, credit to Micro, Small, and Medium Enterprises (MSMEs) and others financing mechanisms for companies such as crowdfunding and the stock market.

National Survey of Financial Inclusion

The ENIF is the main source of data with national representativeness, by location and gender, on access and use of financial services from the perspective of demand.

During 2015, the second survey of the ENIF was carried out in collaboration with the Inegi. The

results allow to know the progress with respect to the first survey of 2012, as well as to generate additional information on aspects not previously explored.

With the dissemination of the results of the ENIF, in 2016, the aim was to contribute to the awareness of the importance of developing different strategies and actions to include the segments currently excluded from the formal financial system.

Participation in 2016 SNEF

In order to strengthen the activities for increasing the level of knowledge about the financial system, the CNBV produced a series of short videos that explain the main functions and tasks of the body.

The videos convey six main messages:

- What is the CNBV?
- What does the CNBV do?
- What is the PES?
- Supervision and regulation tasks in line with the best practices worldwide
- Sanctions
- Mobile financial services

These messages were the central theme of the dynamics carried out at the stand of the CNBV during the 2016 SNEF.

Revisions to the authorization process of correspondents with the financial inclusion approach

During 2016, the implementation of a strategic project was initiated with the aim of proposing improvements to the process of authorizing correspondents. This was done to stimulate the existence of a greater number of financial and non-financial institutions in the market, and to identify measures to expedite the authorization of correspondents that could affect financial inclusion.

Within the project activities, interviews were conducted with different financial and non-financial intermediaries to identify areas of opportunity. An internal workshop was also held with the supervisors of the popular savings and loan sector, and a comparative analysis of regulation at the international level was conducted.

Participation in discussion forums on financial inclusion

Throughout the year, the CNBV participated in various events of financial inclusion to share the efforts made in this topic. In this respect, the following forums stand out:

- Workshop on the use of technology for financial inclusion.
- Financial education, challenges and opportunities for business.
- Second Regional Conference on Financial Inclusion of the Inter-American Development Bank (BID).
- 2016 Forum of the Cooperative System of means of payment (SISCOOP) (an overview of financial inclusion in Mexico was presented).
- Second seminar on means of payment. Progress of correspondents in Mexico: challenges and opportunities.
- Fourth annual conference of the International Federation of Finance Museums.
- Eighth Global Policy Forum of Alliance for Financial Inclusion (AFI).
 - Financial Inclusion Strategy (FIS) Peer Learning Group.
 - Financial Inclusion Data (FID) Working Group.
 - SME Finance (SMEF) Working Group.
- International Seminar: Payment Systems and Supervision of Credit Unions - Latin America and the Caribbean (The CNBV participated with the topic "*Policies, progress, and prospects of financial inclusion in Mexico with savings and loan cooperatives*").
- Financial Inclusion Initiative for Latin America and the Caribbean (Filac), organized by the AFI.

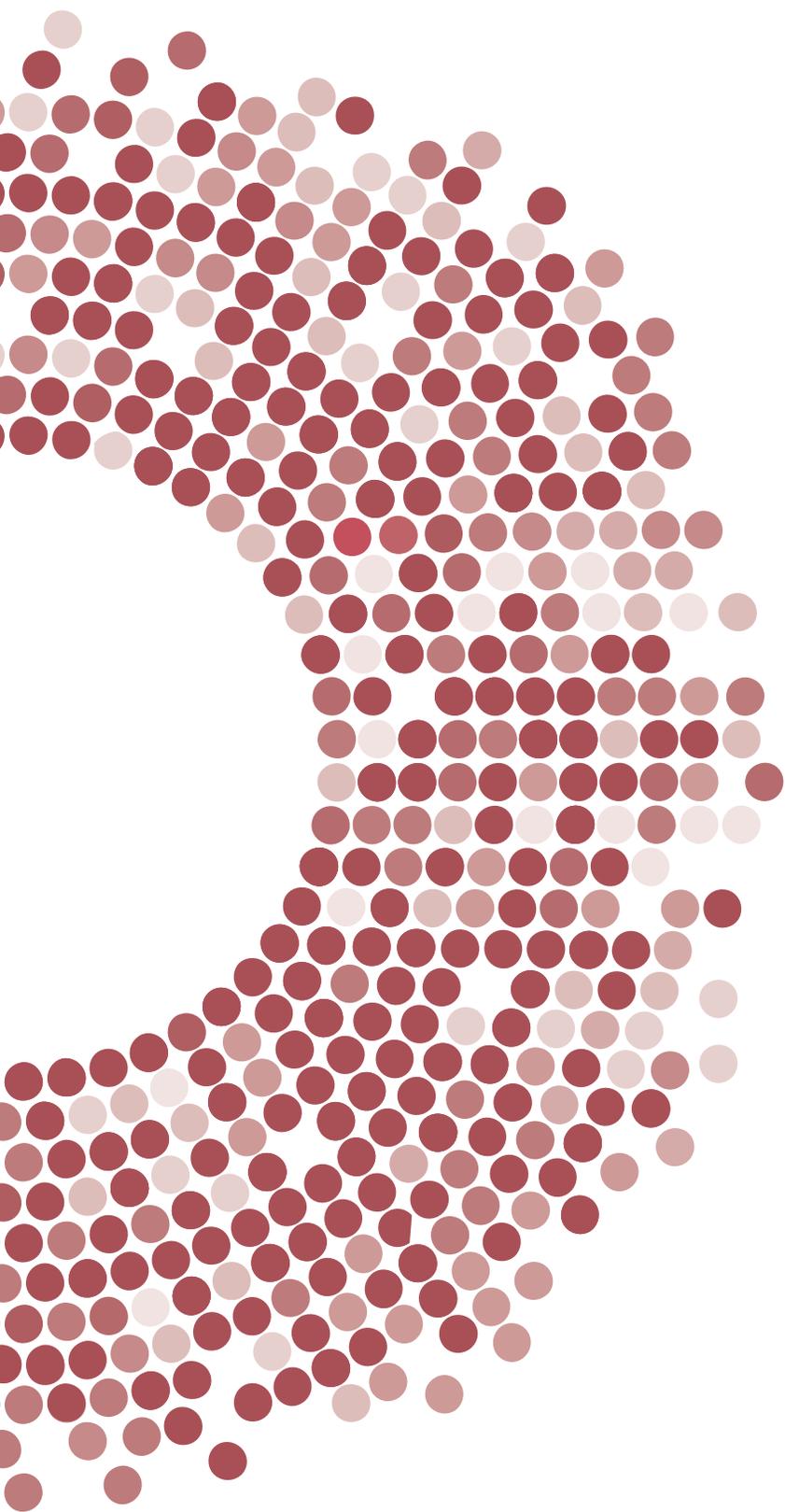


5.7 SOCIAL COMMUNICATION

In terms of communication, institutional messages, technical information on regulated and supervised intermediaries, and actions undertaken in compliance with the mandate of the CNBV were disseminated and positioned, which translated to more than 16,000 newspaper, radio, television, magazine, and online articles about the CNBV, its president, and its vice-presidents.

This is the result of several activities of coordination, monitoring, and attention to the media, as well as the preparation and publication of press releases and statistical bulletins. The following is a summary of activities in this area.





6.

MANAGEMENT

6.1 INTRODUCTION

This section presents the main administrative activities that supported the operation and good performance of the CNBV throughout the year, as well as the achievements made. The administrative areas faced the challenge of promoting the use of available resources and ensuring an adequate internal operation, in an environment of efficiency and austerity. With this, it was possible to consolidate important projects in terms of personnel development, improvement of the organizational climate, updating of the technological platform, process management, and implementation of the institutional strategy.



6.2 RELEVANT TOPICS OF THE YEAR

Gender and non-discrimination week

For the second time, the CNBV held the Gender and Non-Discrimination Week as part of the actions undertaken to comply with the PND within the cross-cutting pillars of the 2013-2018 Institutional Culture Program for Equality (Proigualdad) and the 2014-2018 National Program for Equality and Non-discrimination (Pronaid).

As part of the activities, lectures and workshops were held on issues of labor inclusion in the financial system, harassment and sexual harassment protocol, gender violence, and new masculinities. It is worth mentioning that, during this year, a film series with gender perspective was planned, in order to raise awareness among public officers regarding the mentioned subjects.

Work environment survey results

Institutional Culture and Work Environment Survey (ECCO)

Based on the results of the 2015 ECCO, and with the purpose of implementing strategies that contribute to improve institutional life, the 2015-2016 Practices of work environment and organizational culture transformation were developed, which were sent to the SFP, who approved their implementation. The main objectives of these practices are:

- To reinforce the incentive and rewards program for CNBV personnel.
- To strengthen the work-life balance of all the employees of the CNBV.
- To ensure the availability of resources, focusing on planning and strategic priority of the different areas of the CNBV, providing the required inputs in a timely, effective, efficient, transparent, and economical manner, and

constantly complying with what is established in the annual program.

- To continue strengthening leadership development, in order to improve the organizational culture and personnel strategic focus.
- To disseminate the results of the ECCO.
- To ensure the openness of the selection process for career public officers.

According to the assessment of the 2015-2016 Transformational Practices, the CNBV scored the maximum value of ten points. For the period 2016-2017, the CNBV conducted the survey between October and November. There was a participation of 1,243 surveys sent by collaborators, representing 82.1%.

Great Place to Work

In recent years, the work environment has been assessed through the model established by the GPTW Institute, which evaluated the tier of the CNBV based on credibility, impartiality, respect, pride, and fellowship, as well as the leadership of managers and the practices in human resources.

The CNBV ranked second in the list of the 2016 Best Government Institutions to Work For in Mexico, which meant a significant improvement compared to the previous year, when it ranked seventh.

This recognition is the result of various actions carried out by the current administration, mainly in matters of leadership reinforcement, training, improvement in incentives, and promotion of a gender equality culture. These actions reflect meaningful progress in the evaluation of models of credibility, respect, impartiality, pride, and fellowship. The indicators increased by two percentage points in these areas, compared to the results of the previous year.

6.3 REGULAR ACTIVITIES

6.3.1 HUMAN, MATERIAL, AND FINANCIAL RESOURCES

Human resources

Training activities

According to the Annual Training Plan, nine specific programs with over 1,990 actions were carried out. The execution of the substantive technical training began from the first quarter of the year, in accordance with the objectives mentioned in the following table:

| Program | Objective | Number of public officers |
|---|--|--|
| Leadership development program | Alignment of the strategy's challenges with the CNBV's human capital and promotion of institutional interaction and the fulfillment of objectives, in order to build a high-performance culture. | Eight methodological workshops with the participation of 300 public officers. |
| Substantive technical program | Updating of technical and specialized knowledge, as well as the technical and administrative strategic skills of the personnel in the substantive legal, financial, banking, and stock exchange areas. | 2,000 hours of training in 100 courses provided to 1,260 public officers. |
| International training program | Updating of technical and specialized knowledge, derived from the collaboration agreements signed by the CNBV with international counterparts. | Participation of 317 public officers in 47 training activities abroad and in national territory. |
| Human development program | Development of a positive vision of the future and the ability to build a life and career plan in which specific objectives and actions are established for their achievement. | Ten professional skills activities for operational and secretarial staff, with the participation of 78 public officers. |
| Civil protection program | Strengthening of the development of a civil protection culture, and improvement of the responsiveness in crises such as earthquakes, fires, and medical emergencies. | Six theoretical and practical courses for 58 participants. |
| Specialized computing program | Attention to the training needs of the General Directorates of IT, Information Analysis, and Operational and Technological Risk Supervision. | Ten highly specialized courses in software development and information exploitation, with the participation of 68 public officers. |
| English program and conversation workshop | Strengthening of the comprehensive development of English speaking, understanding, interacting, reading, and writing skills. | 550 participants. |

Together, the aforementioned actions enabled the training of 1,443 public officers (representing 96% of the staff), who invested 96,077 hours in the training sessions and demonstrated a high level of achievement, with an average score of 94.5 points. During the year, 95% of the Staff Career Public Officers (SPCT) covered the minimum training hours; the average was 81 hours per person.

Certification

The certification of 100% of the SPCTs was monitored, who had to renew it for permanence purposes, which promoted the strengthening of the technical skills of the

personnel and the continuous updating for the optimal performance of their functions. 118 managerial exams and 235 technical exams were applied. Only one SPCT was terminated for not fulfilling the process timely and in due form.

Financing-Scholarship Program

Ten new Financing-Scholarships were authorized for master's studies in national territory and one abroad, in the city of Tilburg, Netherlands, in order to strengthen the skills of the personnel and for them to acquire new knowledge in high-level academic institutions.

Performance evaluation

Based on the standards on performance evaluation and the model authorized by the SFP, the annual performance evaluation was applied to 955 public officers. In addition, 411 public officers of operational level were assessed under the Law on Prizes, Incentives and Rewards. Because of this evaluation, 30 incentives and eleven rewards were delivered.

Ethics and Conflicts of Interest Prevention Committee (Cepci) of the CNBV

Pursuant to the agreement to issue the Code of Ethics for public officers of the Federal Government, the Integrity Rules for the exercise of the public function, and the general guidelines for promoting the integrity of public officers, which was published by the SFP in the DOF in August of 2015, the CNBV constituted its Cepci, following the procedures of nomination and election established for the period 2016-2017.

During 2016, the Cepci executed its 2016 Annual Work Program, with the following achievements:

- Updating of the Code of Conduct, in consideration of what is stated in the agreement of August 20th, 2015, published by the SFP, who described the Code of Conduct of the CNBV as excellent, since it contains a Decalogue for action.
- Dissemination of the Code of Conduct through the printing and distribution of copies for each of the public officers of the CNBV. In addition, it is handed to all new members of the personnel.
- Delivery of keynote speeches for the CNBV's public officers, named Importance of Ethics for Public Officers and Protocol for the Attention of Sexual Harassment, which helped strengthen the principles and values included in the Codes of Ethics of the Federal Government and in the Code of Conduct of the CNBV.
- Development of a new procedure to receive, register, analyze, and issue statements regarding the complaints and allegations that any person may present to the Cepci, and the protocol of attention of complaints and allegations for non-compliance with the Code of Ethics of Public Officials of the Federal Government, the Integrity Rules for the exercise of the public function, and the Code of Conduct of the CNBV.
- Evaluation of the state of knowledge on the Code of Ethics of the Federal Government and the Code of Conduct of the CNBV. The stage of awareness raising was addressed, with the participation of 93% of the public officers.



- Issuance of the zero tolerance for sexual harassment statement. In addition, counselors were appointed to deal with complaints and allegations in this matter.
- Implementation of perception surveys, on ethics and conduct issues, to a sample of the public officers of the CNBV, internally and by the SFP.

Gender equality

Based on what is established in the 2013-2018 PND, regarding the cross-cutting strategy for gender perspective in all government programs, actions, and policies that allow the reduction of inequality gaps between women and men, the CNBV developed action plans in gender equality during 2016. These plans included the realization of various activities around the lines of action of 2013-2018 Proigualdad, which ensure substantive equality among the public officers of this institution.

Likewise, in relation to 2014-2018 Pronaid, the CNBV established its 2016 action plans in the field of equality and non-discrimination, which considered the implementation of various activities around the lines of action of that program, not only to move forward in the culture change, in favor of non-discrimination, but also to modify the system of prevailing social relations, values, and beliefs that enable it. The following activities were carried out for both programs:

- Development of measures and actions in favor of gender equality in public offices.
- Fostering of the elimination of sexist and exclusionary language in written and daily communication.
- Promotion of substantive participation of women through an internal communication campaign.
- Promotion of the use of paternity leave for the care of children among public officers of the CNBV.
- Development of a code of conduct that addresses gender equality, non-discrimination, human rights, conflict of interest, and ethical principles.
- Strengthening of the anti-discrimination approach in all processes regarding the management of human capital.

- Dissemination of complaint mechanisms among public officers of the CNBV, to develop a reporting culture.

Material Resources

It is important to note that, regarding the management of material resources, the Public Management Improvement Policies Unit of the SFP gave its authorization to update the CNBV's archival control documents, based on its substantive processes and in common processes among the dependencies of the Federal Government. In order to continue this updating, the preparation of technical files for documentary control was initiated in all the administrative units, which seeks to build the catalog of documentary disposition of the CNBV.

Financial resources

The CNBV manages its budget efficiently, responsibly, and transparently. In the same way, it guarantees the observance of its regularization, its correct operation, and the fulfillment of the tasks entrusted to it, adhering at all times to the regulations established by the Federal Public Administration (APF).

The main achievements in the field during 2016 are listed hereunder:

- In compliance with the Public Procurement Strategy of the Presidency of Mexico, 173 procurement procedures were carried out through public bidding, invitation to at least three people, and direct award, corresponding to a total of \$555.64 million MXN. They were carried out from their dissemination in the SFP's "CompraNet" system. This promoted the participation of a greater number of bidders and the maximum publicity in the use of public resources. Likewise, the hiring processes were made transparent and citizens were given access to information on the use of the CNBV's public resources. Of the aforementioned contracts, MSMEs were awarded the amount of \$337.60 million MXN.
- In terms of income, the financial entities subject to the supervision and monitoring of the CNBV complied with the obligations established in the current Federal Duties Law, covering the fees they must pay as compensation for the services they receive. These resources were assigned to the commission to finance its operation, in accordance with the budget of expenditures approved by its Board of Governors and

authorized by the SHCP, as well as with the law in question. In addition, during 2016, more than 6,500 requests for the payment of rights for the certification of independent external auditors and other professionals were addressed. On the other hand, regarding debt collection from financial institutions, reminders for the payment of the 2016 fiscal year, as well as payment orders for debts from previous years, were issued; the calculation of debts was sent to the SAT and most are controlled by this dependency.

- With regard to the model of the collection of fees from entities and compelled subjects during 2016, a technological tool (System of cost allocation for activities and projects, Sacap), procedures, and guidelines were used to calculate the costs based on the activities of the CNBV.
- In order to meet the institutional objectives of the CNBV, during 2016 the resources were efficiently allocated based on strategic priorities, ensuring adequate financial resources.
 - The expenditure in personal services accounted for 51.9% of the resources allocated, including salaries and wages of the CNBV officials and employees, as well as the payment of both economic and social security benefits, scholarships and other expenses linked to the payroll.

- Of the total expenditure, 41.3% was assigned to materials and supplies, general services, transfers, allocations, subsidies, and others. This ensured their best performance and profitability, as well as their availability, so that all expenditure executor administrative units would have timely resources for the fulfillment of their functions.

In the case of general services, the most significant expenses were associated with the improvement of the IT infrastructure and platform, national and international travel tickets and travel expenses, medical service, as well as maintenance and preservation of the facilities. It should be noted that in the case of materials and supplies, a reduction in expenditure of 2.6 million MXN was reached.

- Finally, the remaining 6.8% of the budget was devoted to investment expenditure, consisting of an investment program called Replacement and acquisition of equipment for the CNBV's main computing center.

It is worth mentioning that the CNBV carries out the accounting and budgetary record, as required by the applicable regulations, which is reviewed and audited by the competent offices and authorities, in order to generate the financial information needed for timely and reliable decision-making.

BUDGET YEAR AS OF DECEMBER 31ST, 2016

| Chapter | Spent budget (million MXN) |
|---|-------------------------------|
| Personal services | \$1,183.11 |
| Materials and supplies | \$7.63 |
| General services | \$927.46 |
| Transfers, allocations, subsidies, and other aids | \$6.81 |
| Movable, immovable, and intangible assets | \$154.16 |
| Total | \$2,279.17 |

● 6.3.2 IT AND COMMUNICATION MANAGEMENT

During the year, the IT goods and services required by all administrative units of the CNBV were provided and, in particular, the internal development of various systems was completed in order to provide the automated tools needed by the different areas to support their activities. The activities and projects that stand out are the following.

CNBV's technological platform

Several modules of the CNBV's technological platform to support both substantive processes, and administrative management and decision-making, were released.

- Business Intelligence (BI) Platform. The new Public Information Portfolio was developed and released, which replaces the two previous versions of the Public Portfolio and implements features of efficiency, availability, and accessibility through an intuitive and secure mechanism. A new BI component was defined and built, which integrates business intelligence products and services from Microsoft SQL Server 2012 and SharePoint 2013.
- Kardex. This system allows consolidating information coming from the supervision processes of the entities in a single point, which facilitates the decision making. During the year, modules were developed for the entry,

consultation, and automation of the Cefer matrix generation process for the commercial and development banks sectors. In addition, a module was built to visualize the Institutional Report and the automation of its generation process began.

- Issuers' system. The functionality for the management of procedures was completed, which contributed to the streamlining of the process of registration, updating, and cancellation of securities.
- SITI. The following improvements were made, among others:
 - New functionalities and validations that made the compliance of delivery to the supervised entities easier and decreased the processing times were implemented.
 - 780 new reports (accounting and portfolio) were released for various sectors.
 - Improvements and recommendations were applied, which resulted in a higher performance of the involved databases, allowing the business area to efficiently manage the formulation and publication of new regulatory reports.



- The volume of received and processed data increased 13.6% over 2015 (2,151,099,890 registrations in 2016 compared to 1,893,566,794 registrations in 2015).

Personal computing platform

The renewal and replacement of end-user computing equipment was carried out according to the needs and requirements of the CNBV, involving items such as desktop and laptop computers, color and black-and-white printers, scanners, plotters, and barcode readers and printers.

National Digital Strategy (EDN)

The EDN action lines were fulfilled, in relation to the implementation of Information and Communication Technologies (ICT) of the following technological solutions in the CNBV:

- Single national service window. The section of procedures and services was added to the CNBV website, which is available as a digital contact point for the general public through the website www.gob.mx.
- Open data. The open data was complemented with the public information of the CNBV, available to all the population in an accessible way and in technical and legal formats that allow its use, reuse, and redistribution for any desired legal purpose, through the website www.datos.gob.mx.
- Gob.mx. In August 2016, the CNBV joined the gob.mx platform, which promotes innovation in government, drives efficiency, and transforms the processes to provide information, procedures, and a platform for participation to the population.
- Digital identity. The technological solution that allows the mandatory use of the CURP

as a key field of identification and element of the interoperability in all the registrations of natural persons contained in the databases of the applications that collect information from natural persons in the CNBV was implemented.

- Electronic signature. The electronic signature platform was implemented in order to have the alternative of automating new procedures and services and to identify the users that carry out electronic transactions with the institution, with the recognition of the authorship and legal will of said transactions.
- Interoperability. The CNBV implemented the interoperability platform in accordance with the bases, principles, and policies established by the Federal Government so that processes related to digital services can share and reuse platforms and information systems.
- Compliance with the administrative handbook of general application in information and communication technologies, and information security matters (MAAGTICSI). The three groups of ICT and information security processes have been implemented, in accordance with the current regulations applicable to the categories of governance, organization, and delivery.

Information security

Finally, for the effectiveness of the information governance, the operation of the Information Security Management System (SGSI) was designed and implemented in order to address and mitigate potential risks at the institutional level for the protection of information.

Likewise, critical ICT services were identified and updated, so that in the case of facing natural disasters or adverse events they may continue to operate.

● 6.3.3 PROGRESS IN THE FULFILLMENT OF THE 2014-2018 STRATEGIC PLAN

A review of the progress of the 2014-2018 Strategic Plan, with the theme of Challenges and Commitments, was carried out. In it, five relevant issues were identified within the CNBV's scope of action: promotion of financial inclusion, supervision of AML/CTF, supervision of external auditors, regulatory framework for the securities market, and information governance. As a result of this review, five strategic projects were designed.

On the other hand, the implementation of the Strategic Plan was continued, in accordance with

the implementation program established at the beginning of the administration. Through the execution of actions and projects, significant progress has been made, such as the development of the RBA and the release of various modules of the PTS.

It should be mentioned that the portfolio of strategic projects consists of ten projects that deal with different topics, mainly on the development and implementation of the RBA, process reengineering, and the development of technological tools.

● 6.3.4 PROCESS MANAGEMENT

During 2016, different activities were carried out to improve the performance of authorization processes. In the case of the authorization of new entities, a policy of deadlines was implemented, in order to reduce the time of attention in this type of procedures.

In the case of authorization from correspondents, a diagnostic study was conducted to measure the timeliness and quality of attention in the procedures for operating

correspondence with banks, SOFIPOs, and SOCAPs.

Furthermore, an analysis of the support processes for the operation of the CNBV was carried out, in order to update its documentation through the application of Business Process Analysis (BPA) as a methodology and process tool. This will provide a platform for the areas to have their processes documented, as a fundamental element of internal institutional control.



● 6.3.5 INTERNAL CONTROL

In the course of 2016, the 29 improvement actions proposed in the Internal Control Work Program (PTCI) of 2015 were implemented and fulfilled. In November 2016, the Institutional Internal Control System (SCII) was assessed, which consisted of the application of five evaluations: three to substantive processes (supervision of multiple banking, regulation, and authorizations) and two to administrative processes (financial and human resources). In all cases, the degree of compliance was four or five, on a scale where five is the highest grade. The overall performance rating determined by the SFP was 93.4%, which was an increase compared to the last measurement of 2015 (82.7%).

Risk management

Twenty-one risks were identified, of which twelve are related to corruption issues and nine to operational risks. The matrix, the map, and the Risk Treatment

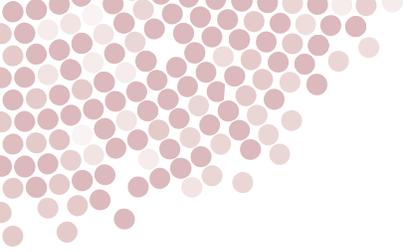
Plan (RTP) were built in order to address the aforementioned issues. The latter considered 29 control actions, of which 28 were completely fulfilled, which represents a 96.6% effectiveness in compliance. The unfinished control action presented a 90% progress to December 2016, and will be followed up in the 2017 program.

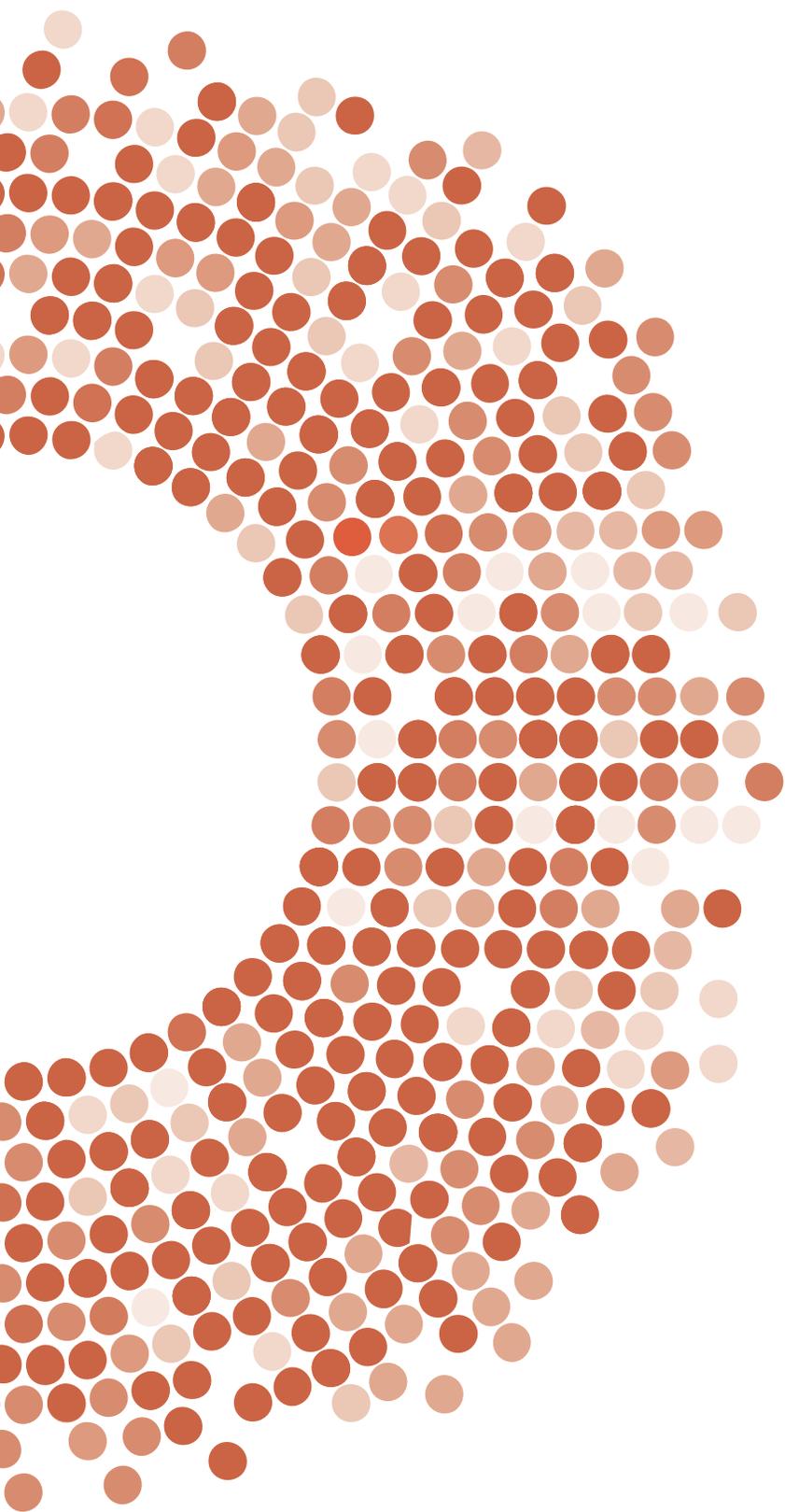
It is important to mention that the actions taken to mitigate the nine risks considered of *immediate attention*, allowed for three of them to be categorized as *follow-up* at the end of 2016.

Anticorruption Program

The Anti-Corruption Program was issued as part of the actions to strengthen internal institutional control, and with the purpose of preventing, evaluating, deterring and, where appropriate, detecting possible acts of corruption by public officers of the CNBV.







7.

2017 CHALLENGES

Considering the different actions and results achieved, the CNBV will focus on meeting the various priorities and challenges it foresees for 2017, among which the following stand out:

- To continue the implementation of the RBA approach, adding new sectors and ensuring the quality of the methodologies and procedures. To seek the consolidation of the development of new PTS modules and monitor their correct implementation.
- To pay special attention to supervising and monitoring the vulnerabilities and risks presented by supervised financial institutions as a result of volatility in international markets, and to focus on those entities that represent greater risk.
- To establish a Regulatory Agenda for 2017 that allows programming the regulatory changes identified as priorities for the year, in order to improve the regulatory emission process.
- To finish the development and publication of the regulatory changes to various provisions, in order to allow the establishment and operation of a second stock exchange in Mexico, so that it is possible to provide tools that promote the development of the stock market in our country.
- To participate with the SHCP, Banxico, other authorities, and the financial community, in the design, elaboration, and execution of the Law on Financial Technology, as well as to develop and implement the secondary regulation that arises from it. All of the above, within the framework of the Federal Government's efforts to improve financial inclusion.
- To prepare the participation of the CNBV in the mutual evaluation that will be carried out by the FATF to Mexico, in order to provide, in the scope of its competence, the necessary elements that demonstrate the compliance with the international principles regarding AML/CTF.
- To continue performing actions aimed at staff retention.
- To engage with the SHCP in the development of a new model of fees based on supervision costs, with the previous modification to the Federal Duties Law.
- To institutionalize an information governance model, which guarantees security in the management of the information received and generated by the CNBV.





ANNEXES



ANNEX A. ISSUED REGULATION

| Provision | Publication in the DOF |
|--|--|
| Credit institutions | |
| 84 th Resolution amending the general provisions applicable to credit institutions | April 7th, 2016 |
| 85 th Resolution amending the general provisions applicable to credit institutions | April 28th, 2016 |
| 86 th Resolution amending the general provisions applicable to credit institutions | June 22nd, 2016 |
| 87 th Resolution amending the general provisions applicable to credit institutions | July 7th, 2016 |
| 88 th Resolution amending the general provisions applicable to credit institutions | July 29th, 2016 |
| 89 th Resolution amending the general provisions applicable to credit institutions | August 1st, 2016 |
| 90 th Resolution amending the general provisions applicable to credit institutions | September 19th, 2016 |
| 91 st Resolution amending the general provisions applicable to credit institutions | September 28th, 2016 |
| 92 nd Resolution amending the general provisions applicable to credit institutions | December 27th, 2016 |
| Commercial Banks | |
| 2 nd Resolution amending the general provisions on the liquidity requirements for commercial banks | December 28th, 2016 |
| Development Banks | |
| 3 rd Resolution amending the general provisions on prudential, accounting, and information requirements applicable to the National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development | January 7th, 2016 |
| Promotion Entities and Bodies | |
| 2 nd Resolution amending the general provisions applicable to promotion bodies and promotion entities | January 25th, 2016 |
| Securities Issuers | |
| 30 th Resolution amending the general provisions applicable to securities issuers and other participants of the securities market | May 6th, 2016 |
| 31 st Resolution amending the general provisions applicable to securities issuers and other participants of the securities market | October 19th, 2016 |
| 32 nd Resolution amending the general provisions applicable to securities issuers and other participants of the securities market | November 15th, 2016 |
| Brokerage Firms | |
| 33 rd Resolution amending the general provisions applicable to brokerage firms | May 12th, 2016 |
| 34 th Resolution amending the general provisions applicable to brokerage firms | September 28th, 2016 |
| 35 th Resolution amending the general provisions applicable to brokerage firms | December 27th, 2016 |
| Investment Funds | |
| 9 th Resolution amending the general provisions applicable to investment funds and the persons providing them services | January 6th, 2016 |
| 10 th Resolution amending the general provisions applicable to investment funds and the persons providing them services | September 28th, 2016 |
| 11 th Resolution amending the general provisions applicable to investment funds and the persons providing them services | November 17th, 2016 |
| 12 th Resolution amending the general provisions applicable to investment funds and the persons providing them services | December 27th, 2016 |

| Provision | Publication in the DOF |
|---|--|
| Popular Savings and Loan | |
| 2 nd Resolution amending the general provisions applicable to the activities of the Savings and Loan Cooperatives | January 7th, 2016 |
| 10 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | January 7th, 2016 |
| 11 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | February 2nd, 2016 |
| 12 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | April 22nd, 2016 |
| 13 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | July 11th, 2016 |
| 14 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | September 28th, 2016 |
| 15 th Resolution amending the general provisions applicable to popular savings and loan entities, integration bodies, community financial companies, and rural financing integration bodies, to which the Law on Popular Savings and Loan refers | December 27th, 2016 |
| Regulated Multi-Purpose Financing Companies, Credit Unions, Bonded Warehouses and Currency Exchange Offices | |
| 17 th Resolution amending the general provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies | January 22nd, 2016 |
| 18 th Resolution amending the general provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies | May 13th, 2016 |
| 19 th Resolution amending the general provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies | September 28th, 2016 |
| 20 th Resolution amending the general provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies | December 27th, 2016 |
| Currency Exchange Centers, Money Transfer Companies and Non-Regulated Multipurpose Financing Companies | |
| 1 st Resolution amending the general provisions for the obtention of the expert opinion of currency exchange centers, money transfer companies, and non-regulated multi-purpose financing companies | September 30th, 2016 |
| Financial Entities and Other Persons Providing Investment Services | |
| 3 rd Resolution amending the general provisions applicable to financial entities and other persons providing investment services | February 9th, 2016 |
| Companies that Manage Systems to Facilitate Operations with Securities | |
| 2 nd Resolution amending the general provisions applicable to companies that manage systems to facilitate operations with securities | March 31st, 2016 |
| Self-Regulatory Bodies | |
| General provisions applicable to self-regulatory bodies acknowledged by the National Banking and Securities Commission | May 6th, 2016 |
| International Quotation Systems | |
| General provisions applicable to International Quotation Systems | December 22th, 2016 |

| Provision | Publication in the DOF |
|--|---------------------------------------|
| Cross-Sectoral | |
| Notice announcing the means by which the results of the annual review by the internal audit area, or by an independent external auditor, should be presented; as well as the document in which the policies of identification and knowledge of clients and users are developed, in addition to the internal criteria, measures, and procedures that will be followed to comply with the applicable general provisions or their modifications | January 7th, 2016 |
| Agreement issuing the official format for the report of training courses in the prevention and detection of operations with resources of illicit origin and financing of terrorism | January 7th, 2016 |
| 4 th Call for certification on the prevention of operations with resources of illicit origin and financing of terrorism | April 1st, 2016 |
| 5 th Call for certification on the prevention of operations with resources of illicit origin and financing of terrorism | July 28th, 2016 |
| 6 th Call for certification on the prevention of operations with resources of illicit origin and financing of terrorism | November 8th, 2016 |
| 1 st Resolution amending the Agreement that establishes the calendar for initiating the process of certification of independent external auditors, internal auditors, compliance officers, representatives, and other professionals in the prevention of operations with resources of illicit origin and financing of terrorism | June 9th, 2016 |
| Agreement that notifies the days on which the National Banking and Securities Commission will suspend its work for the purpose of due diligence or actions | December 16th, 2016 |
| General provisions that state the dates of 2017 in which financial institutions subject to the supervision of the National Banking and Securities Commission must close their doors and suspend operations | December 20th, 2016 |
| 2 nd Resolution amending the Agreement that establishes the calendar for initiating the process of certification of independent external auditors, internal auditors, compliance officers, representatives, and other professionals in the prevention of operations with resources of illicit origin and financing of terrorism | December 27th, 2016 |
| Internal Regulation | |
| 2 nd Resolution amending the Agreement by which the Board of Governors of the National Banking and Securities Commission delegates to the President, Legal Vice-President, General Director of Offenses and Sanctions, and Assistant General Directors of Administrative Sanctions A, B, and C of the Commission, the authority to impose administrative sanctions | June 7th, 2016 |
| 1 st Agreement amending the Agreement whereby the President of the National Banking and Securities Commission delegates powers to the Vice-Presidents, General Directors and Assistant General Directors of the Commission | December 14th, 2016 |



ANNEX B. VISITS

| Sector | 2016 original Visits Program | | 2016 adjusted Visits Program ¹ | | | | Visits | | | | | | Total | | |
|--|------------------------------------|---|---|------------------------|------------------------|------------------------------|--|------------------------------|----------------------|---------------------------|----------------------|-------------|------------|---------------------------|----------------------------|
| | Total scheduled visits to entities | Reviews of specialized areas ² | By supervisory area | Only regarding AML/CTF | Total scheduled visits | Reviews of specialized areas | Regular | | Special | | Investigation | | | | |
| | | | | | | | Total visits conducted to the entities | Reviews of specialized areas | Starts of operations | Other visits ³ | Total special visits | Supervision | | Other visits ⁴ | Total investigation visits |
| Visits to entities that are supervised in a comprehensive manner | 282 | 113 | 265 | 9 | 274 | 109 | 274 | 109 | 5 | 26 | 31 | 6 | 203 | 209 | 514 |
| Holding companies of financial groups | 9 | | 9 | | 9 | | 9 | | | 1 | 1 | | | | 10 |
| IBMs | 33 | 39 | 31 | 2 | 33 | 37 | 33 | 37 | 2 | 4 | 6 | 1 | 1 | 2 | 41 |
| Development banks and promotion entities | 9 | 7 | 9 | | 9 | 7 | 9 | 7 | | 1 | 1 | | | | 10 |
| SOFOMERs | 33 | 17 | 31 | 1 | 32 | 16 | 32 | 16 | | | | | | | 32 |
| OAACs ⁵ | 14 | 4 | 10 | 2 | 12 | 4 | 12 | 4 | | | | 2 | | 2 | 14 |
| Credit unions | 31 | 12 | 29 | 2 | 31 | 12 | 31 | 12 | | 2 | 2 | | | | 33 |
| SOCAPs | 44 | 17 | 43 | 1 | 44 | 17 | 44 | 17 | | 7 | 7 | 1 | 168 | 169 | 220 |
| SOFIPOs | 13 | 5 | 11 | 1 | 12 | 4 | 12 | 4 | 2 | 1 | 3 | | | | 15 |
| Other entities of the popular savings and loan sector ⁴ | 2 | | 2 | | 2 | | 2 | | | | | | | | 2 |
| Brokerage firms | 12 | 11 | 12 | | 12 | 11 | 12 | 11 | | 3 | 3 | 2 | 3 | 5 | 20 |
| Investment funds | 9 | 1 | 8 | | 8 | 1 | 8 | 1 | 1 | 4 | 5 | | 1 | 1 | 14 |
| Securities rating agencies | 4 | | 4 | | 4 | | 4 | | | 1 | 1 | | | | 5 |
| Issuers | | | | | | | | | | | | | 3 | 3 | 3 |
| Stock exchanges and derivatives exchanges | | | | | | | | | | | | | | | 0 |
| Central counterparties | | | | | | | | | | | | | | | 0 |
| Institutions for the deposit of securities | | | | | | | | | | 2 | 2 | | | | 2 |
| Other participants of the stock and derivatives markets ⁷ | 26 | | 26 | | 26 | | 26 | | | | | | | | 26 |
| Participants in relevant payment system networks | | | | | | | | | | | | | | | 0 |
| SICs | | | | | | | | | | | | | | | 0 |
| Investment advisors | 6 | | 5 | | 5 | | 5 | | | | | | 14 | 14 | 19 |
| Other supervised entities ⁸ | 37 | | 35 | | 35 | | 35 | | | | | | 13 | 13 | 48 |
| Visits to entities subject exclusively to AML/CTF supervision | 42 | 5 | 40 | | 40 | 5 | 40 | 5 | | 10 | 10 | | 80 | 80 | 130 |
| SOFOM ENRs | 8 | 1 | 8 | | 8 | 1 | 8 | 1 | | 2 | 2 | | 5 | 5 | 15 |
| Currency exchange centers | 28 | 1 | 26 | | 26 | 1 | 26 | 1 | | 7 | 7 | | 71 | 71 | 104 |
| Money transfer companies | 6 | 3 | 6 | | 6 | 3 | 6 | 3 | | 1 | 1 | | 4 | 4 | 11 |
| Total visits | 324 | 118⁹ | 305 | 9 | 314 | 114 | 314 | 114 | 5 | 36 | 41 | 6 | 283 | 289 | 644 |

- 1 The program was adjusted due to causes foreign to the CNBV that involved the cancellation of visits because of the lack of items to supervise.
- 2 The areas of specialized supervision work together with the areas of general supervision to cover specific issues regarding AML/CTF, operational and technological risk, SIC users, and investment services, and in some cases the area of supervision specializing in AML/CTF carries out individual visits.
- 3 Visits carried out in accordance with the conditions provided for in Article 8 of the Supervision Regulations.
- 4 Visits carried out in accordance with the terms provided for in Article 9 of the Supervision Regulations.
- 5 Including currency exchange offices and bonded warehouses.
- 6 Including federations of popular savings and loan entities, Assistant Supervisory Fund for Savings and Loan Cooperatives, Fund for the Protection of Popular Financing Companies and the Protection of its Savers, and SOFINCO.
- 7 Including makers of the derivatives market, liquidating partners participating in the derivatives market, traders participating in the derivatives market, price suppliers, clearing houses in the derivatives market, and self-regulatory bodies of the stock market.
- 8 Including foreign bank representative offices and agencies, representative brokerage firms, complementary or affiliated financial group services companies, complementary or affiliated banking services companies, complementary or affiliated auxiliary organizations service companies, complementary or affiliated brokerage firms services companies, real estate brokers, real estate brokerage firms, and others (considers natural and legal persons, and non-financial entities).
- 9 These 118 revisions do not include nine regular inspection visits in which only the AML/CFT specialized area took part.



ANNEX C. OBSERVATIONS, RECOMMENDATIONS, AND CORRECTIVE MEASURES

During 2016, 644 visits to the supervised entities were carried out, according to the PAV of the CNBV. Of this total, 79.8% were made to entities under comprehensive supervision and 20.2% exclusively regarding AML/CTF.

As a result of the visits conducted, as well as of its monitoring activities, the CNBV issued 59,259

observations and recommendations and instructed 6,698 actions and corrective measures during this period.

It should be mentioned that, during this year, the entities subject to supervision exclusively regarding AML/CTF, were subject to a detailed analysis of their audit reports, which is why these entities concentrate 80.7% of the observations and recommendations issued in 2016.

TOTAL VISITS, OBSERVATIONS, RECOMMENDATIONS, AND CORRECTIVE MEASURES ISSUED FROM JANUARY TO DECEMBER, 2016

| Sector | Comprehensive Supervision | | | AML/CTF | | | Total | | |
|---|---------------------------|-----------------|---------------------------------|--------------|-----------------|---------------------------------|--------------|-----------------|---------------------------------|
| | Observations | Recommendations | Corrective actions and measures | Observations | Recommendations | Corrective actions and measures | Observations | Recommendations | Corrective actions and measures |
| Entities supervised in a comprehensive manner | 5,548 | 1,282 | 4,529 | 584 | 4,009 | 1,832 | 6,132 | 5,291 | 6,361 |
| Holding companies of financial groups | 60 | 7 | 23 | 0 | 0 | 0 | 60 | 7 | 23 |
| IBMs | 1,694 | 558 | 1,263 | 213 | 839 | 321 | 1,907 | 1,397 | 1,584 |
| Development banks and promotion entities | 331 | 56 | 325 | 32 | 131 | 50 | 363 | 187 | 375 |
| SOFOMERs | 234 | 220 | 234 | 33 | 598 | 38 | 267 | 818 | 272 |
| OAACs | 178 | 14 | 114 | 45 | 273 | 17 | 223 | 287 | 131 |
| Credit unions | 549 | 101 | 350 | 62 | 1,345 | 160 | 611 | 1,446 | 510 |
| SOCAPs | 1,433 | 131 | 1,413 | 76 | 9 | 1,140 | 1,509 | 140 | 2,553 |
| SOFIPOs | 248 | 15 | 307 | 44 | 17 | 42 | 292 | 32 | 349 |
| Other entities of the popular savings and loan sector | 27 | 6 | 46 | 6 | 1 | 6 | 33 | 7 | 52 |
| Brokerage firms | 224 | 15 | 183 | 51 | 788 | 44 | 275 | 803 | 227 |
| Investment funds | 376 | 59 | 136 | 22 | 8 | 14 | 398 | 67 | 150 |
| Securities rating agencies | 26 | 4 | 21 | 0 | 0 | 0 | 26 | 4 | 21 |
| Issuers | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| Stock exchanges and derivatives exchanges | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Central counterparties | 38 | 2 | 29 | 0 | 0 | 0 | 38 | 2 | 29 |
| Institutions for the deposit of securities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other participants of the stock and derivatives markets | 111 | 21 | 76 | 0 | 0 | 0 | 111 | 21 | 76 |
| Participants in relevant payment system networks | 2 | 0 | 1 | 0 | 0 | 0 | 2 | 0 | 1 |
| SICs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment advisors | 5 | 70 | 2 | 0 | 0 | 0 | 5 | 70 | 2 |
| Other supervised entities | 12 | 3 | 3 | 0 | 0 | 0 | 12 | 3 | 3 |
| Entities subject exclusively to AML/CTF supervision | DNA | DNA | DNA | 2,526 | 45,310 | 337 | 2,526 | 45,310 | 337 |
| SOFOM ENRs | DNA | DNA | DNA | 1,156 | 29,640 | 98 | 1,156 | 29,640 | 98 |
| Currency exchange centers | DNA | DNA | DNA | 1,131 | 14,731 | 115 | 1,131 | 14,731 | 115 |
| Money transfer companies | DNA | DNA | DNA | 239 | 939 | 124 | 239 | 939 | 124 |
| Total de visitas | 5,548 | 1,282 | 4,529 | 3,110 | 49,319 | 2,169 | 8,658 | 50,601 | 6,698 |

Including observations, recommendations, and corrective actions derived from the actions of prudential supervision, as well as those exercised in matters of operational and technological risk, behavior of market participants, participants in networks, and revisions to regulatory reports delivered by the supervised entities.

DNA – Does not apply.



ANNEX D. NEW FINANCIAL ENTITIES

| Banking sector | | |
|----------------|--|---|
| N.º | Entity | Details |
| 1. | Industrial and Commercial Bank of China Mexico, S.A., IBM | <p>Its organization and operation was authorized in June 2016. In its company purpose, it considers performing all the operations and services that banking institutions are allowed to carry out.</p> <p>Its target market is focused on supporting economic and financial relations between Mexico and China, by building a bridge that enables better interaction between companies and people from both countries.</p> <p>It focuses its efforts on the central area of the country, as well as on the states where activities related to oil are carried out and on the sectors promoted by the structural reforms.</p> |
| 2. | Banco S3 México, S.A., IBM | <p>Its organization and operation was authorized in August 2016.</p> <p>In its company purpose, it considers performing all the operations and services that banking institutions are allowed to carry out.</p> <p>It will focus predominantly on the deposit, custody, and management of securities.</p> <p>Its target market comprises customers residing in Mexico (retirement fund managers, investment funds, insurance companies, investment fund operators, the public sector, and other financial intermediaries), as well as non-resident customers (global custodian banks, investment banks, brokerage firms, and global institutional investors).</p> |

| Investment funds services sector | | |
|----------------------------------|---|---|
| N.º | Entity | Details |
| 1. | BTG Pactual Gestora de Fondos de Inversión, S.A. de C.V. Sociedad operadora de fondos de inversión | <p>Its target market is aimed at corporations, retirement fund managers, pension funds, insurance institutions, and financial intermediaries (co-distributors).</p> |

| Popular savings and loan sector | | |
|---------------------------------|---|--|
| N.º | Entity | Details |
| 1. | Cooperativa de Ahorro y Préstamo Renacimiento Costa de Oro, S.C. de A.P. de R.L. de C.V. | <p>It is composed of approximately 4,000 partners and operates with a stock capital of \$9,504,000 MXN and assets equal to 27.101 billion investment units, mainly in the states of Nayarit and Jalisco, with a level of operations II and a prudential level II.</p> <p>The main products it offers are demand deposits; agricultural, consumer, housing, and commercial loans; as well as insurance distribution and remittance payment services.</p> |
| 2. | Unión de Servicios Allende, S.C. de A.P. de R.L. de C.V. | <p>It is composed of approximately 3,000 partners and operates with a stock capital of \$7,304,000 MXN and assets equal to 48.784 billion investment units in the State of Nuevo León, with a level of operations II and a prudential level II.</p> <p>The main products it offers are demand deposits, term deposits, and deposits in established dates; fixed assets, unsecured, and agricultural allotment and operation loans.</p> |
| 3. | Caja Popular San Bernardino de Siena Valladolid, S.C. de A.P. de R.L. de C.V. | <p>It is composed of approximately 6,000 partners and operates with a stock capital of \$11,616,000 MXN and assets equal to 27.335 billion investment units, in the states of Yucatán and Quintana Roo, with a level of operations II and a prudential level II.</p> <p>The main products it offers are demand and fixed-term deposits, consumer and housing loans, as well as automobile insurance distribution services.</p> |
| 4. | Caja Popular Maravatío, S.C. de A.P. de R.L. de C.V. | <p>It operates with a stock capital of \$12,289,000 MXN and assets equal to \$379,868,000 MXN, in the states of Michoacán and Estado de México, with a level of operations III and a prudential level III.</p> <p>The main products it offers are demand and fixed-term deposits; consumer and housing loans; as well as services consisting of remittance payments, funeral support, savings insurance, service billing, and prepaid cellphone refills.</p> |

| | | |
|----|---|--|
| 5. | Cooperativa Tepoztlán, S.C. de A.P. de R.L. de C.V. | It operates with a stock capital of \$4,803,000 MXN in the regions of Tepoztlán and Ahuatepec, in the State of Morelos, with a level of operations I and a prudential level II. The products offered are automatic, ordinary, commercial, education, and auto loans, with interest rates ranging from 12% to 36% and terms up to 60 months. Through the acquisition products, it offers 2% interest rates and 30-day fixed-term deposits with an interest rate of 2%. |
| 6. | La Caja Solidaria de Teocaltiche, S.C. de A.P. de R.L. de C.V. | It is composed of approximately 14,000 partners and operates with a stock capital of \$984,000 MXN and assets equal to 10.575 billion investment units, in the states of Jalisco and Zacatecas, with a level of operations I and a prudential level I. The main products it offers are demand and fixed-term deposits; consumer and guaranteed loans; as well as services for the payment of remittances and services billing. |
| 7. | Caja Solidaria Kafén Tomin, S.C. de A.P. de R.L. de C.V. | It is composed of approximately 5,000 partners and operates with a stock capital of \$1,631,000 MXN and assets equal to 5.993 billion investment units, in the states of San Luis Potosí and Hidalgo, with a level of operations I and a prudential level I. The main products it offers are demand and fixed-term deposits; consumer, agricultural, and housing loans; as well as services consisting of prepaid cellphone refills, payment of remittances, distribution of insurance and third-party services billing. |

Securities Rating Agencies

1. DBRS Ratings México

Acknowledgment of foreign companies that perform operations similar or equivalent to those performed by companies that manage systems to facilitate operations with securities

1. TrueEx, LLC
2. Bloomberg
3. Enlace New York

Currency exchange centers

1. Centro Cambiario LDC, S.A. de C.V.
2. CW Express Centro Cambiario, S.A. de C.V.
3. Centro Cambiario de Desierto de Sonora, S.A. de C.V.
4. Centro Cambiario Rosales, S.A. de C.V.
5. Centro Cambiario Money Change la Parroquia, S.A. de C.V.
6. Centro Cambiario Green Dólar, S.A. de C.V.
7. Subibaja Centro Cambiario, S.A. de C.V.
8. Centro Cambiario Dimex, S.A. de C.V.
9. Esro Divex Centro Cambiario, S.A. de C.V.
10. Centro Cambiario el Centauro de la Frontera, S.A. de C.V.
11. Centro Cambiario Asesu, S.A. de C.V.
12. Centro Cambiario Villa Acuña, S.A. de C.V.
13. Catalinas Divisas Centro Cambiario, S.A. de C.V.
14. Centro Cambiario Familia Olivas, S.A. de C.V.
15. Centro Cambiario Osbet, S.A. de C.V.
16. Centro Cambiario Burmex, S.A. de C.V.
17. Munich Centro Cambiario, S.A. de C.V.
18. Centro Cambiario Suiza, S.A. de C.V.
19. Interdivisas RB Centro Cambiario, S.A. de C.V.
20. Centro Cambiario Salmar del Norte, S.A. de C.V.
21. Centro Cambiario Vamegsa, S.A. de C.V.
22. Centro Cambiario Divisas el Prestigio, S.A. de C.V.
23. Centro Cambiario Automático, S.A. de C.V.

| | |
|-----|---|
| 24. | Embia Divisas Centro Cambiario, S.A de C.V. |
| 25. | Raygoza Centro Cambiario, S.A. de C.V. |
| 26. | Tacana Divisas, Centro Cambiario, S.A. de C.V. |
| 27. | Centro Cambiario Eliza, S.A de C.V. |
| 28. | Centro Cambiario Mr. Green, S.A. de C.V. |
| 29. | Centro Cambiario la Emperatriz, S.A. de C.V. |
| 30. | Lumi Centro Cambiario, S.A. de C.V. |
| 31. | Centro Cambiario el Cinco, S.A. de C.V. |
| 32. | Centro Cambiario Manhara, S.A. de C.V. |
| 33. | Jemafi Te Da Más Centro Cambiario, S.A. de C.V. |
| 34. | Centro Cambiario Bravo's Exchange, S.A. de C.V. |
| 35. | 861 Centro Cambiario, S.A. de C.V. |
| 36. | Centro Cambiario Tacoma, S.A. de C.V. |
| 37. | Centro Cambiario de Punta Peñasco, S.A. de C.V. |
| 38. | Centro Cambiario Capacris, S.A. de C.V. |
| 39. | Centro Cambiario la Ejercito, S.A. de C.V. |
| 40. | Gamma Centro Cambiario, S.A. de C.V. |
| 41. | Centro Cambiario la + Brava, S.A de C.V. |
| 42. | Value Transfer and Payments, S.A. de C.V. |
| 43. | Centro Cambiario Ok-DlIs, S.A. de C.V. |
| 44. | Centro Cambiario Visamar, S.A. de C.V. |
| 45. | Comarca Dólar Centro Cambiario, S.A. de C.V. |
| 46. | El Rayo de las Américas Centro Cambiario, S.A. de C.V. |
| 47. | Centro Cambiario L.A. California, S.A. de C.V. |
| 48. | Centro Cambiario Express de Uruapan, S.A. de C.V. |
| 49. | Gamma Centro Cambiario, S.A. de C.V. |
| 50. | El Arcángel Centro Cambiario, S.A. de C.V. |
| 51. | Centro Cambiario Gares, S.A. de C.V. |
| 52. | Centro Cambiario TCC, S.A. de C.V. |
| 53. | Centro Cambiario Transpeninsular, S.A. de C.V. |
| 54. | Moneda de la República Centro Cambiario, S.A. de C.V. |
| 55. | El Tuki Centro Cambiario, S.A. de C.V. |
| 56. | Centro Cambiario el Mexica, S.A. de C.V. |
| 57. | Moctezuma Centro Cambiario, S.A. de C.V. |
| 58. | Centro Cambiario Marcash, S.A. de C.V. |
| 59. | Dollar Acuña Pesos, Centro Cambiario, S.A. de C.V. |
| 60. | Supraxchange Centro Cambiario, S.A. de C.V. |
| 61. | Dollar Shop, Centro Cambiario, S.A. de C.V. |
| 62. | Karusell Centro Cambiario, S.A. de C.V. |
| 63. | Centro Cambiario Divisas Extranjeras Change, S.A. de C.V. |
| 64. | Centro Cambiario Tierra Adentro, S.A. de C.V. |
| 65. | Valorex Centro Cambiario, S.A. de C.V. |
| 66. | Centro Cambiario Vales del Norte, S.A. de C.V. |

Money transfer companies

1. Servicio de Transmisión de Pagos, S.A. de C.V.
2. 24xoro, S.A. de C.V.
3. Appriza Pay México, S.A. de C.V.
4. Datransfer, S.A. de C.V.

Investment advisors

Legal entities

1. JLR Asesores en Inversión Independientes, S.A.P.I. de C.V.
2. Asesoría Patrimonial G.A., Asesores Independientes, S.C.
3. Asesores de Capitales, S.A. de C.V., Asesores en Inversiones Independientes
4. Rosso Capital, Asesor en Inversión Independiente, S.A.P.I. de C.V.
5. Morales y Guerra Capital Asesores, S.A. de C.V., Asesores en Inversiones Independientes
6. Epicurus Fund Management, Asesor Independiente, S.A.P.I. de C.V.
7. Grupo Corde Asesores, S.A. de C.V., Asesores en Inversiones Independientes
8. Grupo Inversión, S.A. de C.V., Asesor en Inversiones Independiente
9. Fidare, S.A. de C.V., Asesores en Inversiones Independientes
10. Sc Asset Management Asesores en Inversiones Independientes, S.A. de C.V.
11. Vargas Asesores Financieros Independientes, S.A. de C.V.
12. Zurita y Marrón Asesores Independientes, S.A. de C.V.
13. GCI Asesores, S.A. de C.V., Asesores en Inversiones Independientes
14. Inbestcompany, S. de R.L. de C.V., Asesor en Inversiones Independiente
15. Baker Hidalgo Asesores Independientes, S.A. de C.V.
16. Asesores Financieros Patrimoniales, S.C., Asesor en Inversiones Independiente
17. Ad Value Asesoría de Inversiones, S.C. Asesor Independiente
18. Impulso Patrimonial, S.C., Asesor en Inversiones Independiente
19. Grupo MB Learning Independiente, S. de R.L. de C.V.
20. SC Gama y Asociados Asesores Independientes, S. de R.L. de C.V.
21. Estrategia Patrimonial Global, S.A. de C.V., Asesor en Inversiones Independiente
22. R&J Asesores Independientes, S.C.
23. Vitalis Asesor Independiente, S.A.P.I. de C.V.
24. AXA IM México, Asesores en Inversiones Independientes, S.A. de C.V.
25. Asepriv Asesores Independientes, S.A. de C.V.
26. Ingenieros Patrimoniales y Asociados Independientes, S.A. de C.V.
27. HTS Asesores Independientes, S.C.
28. Grupo Consultoría Mercados y Derivados, Asesor en Inversiones Independiente, S.A.P.I. de C.V.
29. CA México Asesores Patrimoniales en Inversiones Independientes, S.A. de C.V.
30. Finec Asset Management, S.A. de C.V., Asesores en Inversiones Independientes
31. Pacta Capital, S.A.P.I. de C.V., Asesores en Inversiones Independientes
32. Ávila Hesles Asesores Independientes, S.C.
33. Day Trading Systems, Asesor en Inversiones Independiente, S.A. de C.V.
34. BWC Independiente, S.A. de C.V.
35. SM Capital MX, S.A.P.I. de C.V., Asesores en Inversiones Independientes
36. Resulta Asesoría Patrimonial, Asesores Independientes, S.A. de C.V.
37. Asesoría Independiente Hugab, S.C.
38. Franklin Templeton Servicios de Asesoría México, S. de R.L. de C.V.

| | |
|-----------------|--|
| 39. | UBS Asesores México, S.A. de C.V. |
| 40. | C. Suisse Asesoría México, S.A. de C.V. |
| 41. | Verax, Asesor en Inversiones, S.A. de C.V. |
| Natural persons | |
| 1. | Erick Dávila Fuentes |
| 2. | Gonzalo del Valle Morales |
| 3. | Jorge Armando Gálvez Gutiérrez |
| 4. | Samuel Santoyo Lara |
| 5. | Antonio Vicente Flores Cruz |
| 6. | Octavio Rojas González |
| 7. | Juan Javier Gilberto Téllez López |
| 8. | Heriberto Sandoval Olmedo |
| 9. | José Luis Buendía Osorio |
| 10. | Luis Manuel Calderón Loaiza |
| 11. | Luis Murra Sánchez |



ANNEX E. CORPORATE RESTRUCTURINGS

| Banking sector | | |
|----------------|-----------------------------|---|
| N.º | Entity | Details |
| 1. | Banco Finterra | Indirect acquisition by a new shareholder called Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) of more than 5% of the capital stock of that entity was authorized, through the irrevocable administration trust number 17556-5 dated December 19th 2013, whose trustee is Banco Nacional de México, S.A., part of Grupo Financiero Banamex, Fiduciary Division. |
| 2. | Bancrea | Redistribution of the ownership of two indirect shareholders (natural persons) with percentages higher than 5% of shares representing the capital stock of that entity was authorized. |
| 3. | Banco Inbursa | Within a process of international restructuring by Criteria Caixa S.A.U. and as a result of its direct shareholding in the capital stock of Grupo Financiero Inbursa, the Spanish company was authorized to indirectly acquire more than 5% of shares representing the capital stock of that IBM. |
| 4. | Banco PagaTodo | The main shareholder of this institution, PagaTodo Holdings, through a corporate restructuring that included its demerger, contributed all the shares representing the capital stock of Banco PagaTodo, which it held as a block, to the divided company GFPT which has as shareholders the same persons as PagaTodo Holdings, thereby becoming the new main shareholder of Banco PagaTodo. |
| 5. | Deutsche Bank México | The transfer of representative shares of the capital stock of both entities to a foreign financial institution incorporated in Luxembourg was authorized as part of a restructuring process within Grupo Corporativo Deutsche, according to which a structure that allowed Deutsche Bank México and Deutsche Securities to cease to be subsidiaries of US entities was adopted. |

| Stock market sector | | |
|---------------------|--|--|
| N.º | Entity | Details |
| 1. | Inversora Bursátil | Within a process of international restructuring by Criteria Caixa S.A.U. and as a result of its direct shareholding in Grupo Financiero Inbursa's capital stock, this Spanish company was authorized to indirectly acquire more than 5% of representative shares of the capital stock of that brokerage firm. |
| 2. | Vifaru (formerly known as Itaú Casa de Bolsa) | As part of a share restructuring process of that entity, Tenedora Akaan and Administradora Akaan were authorized to directly acquire 100% of the shares representing the capital stock of that brokerage firm and, as a consequence, a natural person was authorized to indirectly acquire more than 30% of the representative shares of the capital stock of Vifaru, and four natural persons and one legal entity were individually allowed to acquire percentages above 5%. |
| 3. | Kuspit Casa de Bolsa | An investment and management trust, and a natural person, were authorized, to indirectly and individually acquire more than 5% of the representative shares of the capital stock of that brokerage firm. |
| 4. | Deutsche Securities Casa de Bolsa | As part of a restructuring process within Grupo Corporativo Deutsche, in accordance with which a structure was adopted allowing Deutsche Bank Mexico and Deutsche Securities to cease to be subsidiaries of US entities, the transfer of the representative shares the capital stock of both entities to a foreign financial institution incorporated in Luxembourg was authorized. |

| Financial Groups | | |
|------------------|------------------------------------|---|
| N.º | Entity | Details |
| 1. | Grupo Financiero Santander | A favorable opinion was issued for the merger of Santander Vivienda, S.A. de C.V., SOFOM ER, Grupo Financiero Santander México, as the surviving company with Santander Hipotecario, S.A. de C.V., SOFOM ER, Grupo Financiero Santander México Holding; as well as for the amendment to article 2 of the corporate bylaws of Grupo Financiero Santander and the Single Agreement of Responsibilities. |
| 2. | Grupo Financiero Multiva | A favorable opinion was issued for the termination of Seguros Multiva, S.A., Grupo Financiero Multiva, as well as for the amendment to the Single Agreement of Responsibilities. |
| 3. | Grupo Financiero Banorte | In the context of the corporate restructuring that this financial group has implemented in order to align its business units, an opinion was issued to the SHCP for: i) The creation of Banorte Ahorro y Previsión sub-controller, to which the representative shares of the capital stock of Seguros Banorte and Pensiones Banorte were transmitted. ii) The merger of Banorte as surviving company with the SOFOM Banorte-Ixe Tarjetas, a merged company that is extinguished, in order to concentrate the credit card business in Banorte. On the other hand, the CNBV's Board of Governors authorized the demerger of Banorte – the split off company –, and, as a consequence, the creation of Banorte Futuro – the split company – to which Banorte would transfer the representative shares of the capital stock of Afore XXI Banorte. Immediately and simultaneously to the demerger, Grupo Financiero Banorte would contribute all the representative shares of Banorte Futuro's capital stock in favor of Banorte Ahorro y Previsión, which in turn would immediately contribute those same shares to Seguros Banorte, leaving Banorte Futuro as its subsidiary. |
| 4. | Grupo Financiero Banregio | An opinion was issued to the SHCP for the direct acquisition by the funds Cartica Corporate Governance Fund, L.P., Cartica Capital Partners Master, L.P., Cartica Investors, L.P., and Cartica Investors II L.P., of more than 5% of the capital stock of that financial group, through operations in the BMV. At the same time, the CNBV authorized these funds to indirectly acquire more than 5% of the capital stock of Banco Regional de Monterrey and Operadora Banregio. |
| 5. | Grupo Financiero Bancomer | In order to comply with various laws of the United States of America and to weaken its corporate structure, this financial group made a divestment in a foreign financial institution (BBVA Bancomer USA, Inc., now Betese, S.A. de C.V.) that, with other subsidiaries (Hipotecaria Nacional SOFOM and Desitel Tecnología y Sistemas) were merged by Bancomer. |
| 6. | Monex Grupo Financiero | With the opinion of the CNBV, the SHCP authorized the indirect investment through Banco Monex, by Monex Negocios Internacionales, into MonFX Pte. Ltd., a company founded in the Republic of Singapore, engaged in foreign currencies trading. |
| 7. | Grupo Financiero Ve por Más | A favorable opinion was issued to the SHCP, for the incorporation of Seguros Multiva to that financial group. |
| 8. | Grupo Financiero Inbursa | The international restructuring process of Criteria Caixa S.A.U., a Spanish company, was carried out through the direct acquisition of 9% of the capital stock of this financial group, with which it acquired indirect stockholdings in the capital stock of the financial institutions that comprise it. |

| Investment funds sector (companies managing investment funds) | | |
|---|--|---|
| N.º | Entity | Details |
| 1. | Fondos de Inversión Afirme | Corporación AGF, S.A. de C.V. was authorized to acquire an A-Series representative nominative ordinary share, of the minimum fixed capital stock of that entity, Property of Mrs. María Teresa Villarreal Treviño de Madero. |
| 2. | GBM Administradora de Activos Operadora | GBM Asset Management, S. de R.L. de C.V. was authorized to acquire 99.9% of the representative shares of that company's capital stock, property of Corporativo GBM, S.A.B. de C.V. |
| 3. | Operadora Inbursa | Within a process of international restructuring by Criteria Caixa S.A.U. and as a result of its direct shareholding in the capital stock of Grupo Financiero Inbursa, this Spanish company was authorized to indirectly acquire more than 5% of the representative shares of the stock capital of that operating company. |
| 4. | Value Operadora | Due to the updating of relevant holdings in the capital stock of that company, Value Casa de Bolsa was authorized, for regularization purposes, to maintain a direct investment in 99.9% of the representative shares of the stock capital of said entity. |
| 5. | Operadora de Fondos de Inversión y Desarrollo | As part of updating the stock holdings of the capital stock of that entity, a natural person was authorized to directly and individually acquire a stake of more than 5% in representative shares of the capital stock of the operating company, for regularization purposes. |

| Capital investments in foreign entities | | |
|---|-----------------------------|---|
| N.º | Entity | Details |
| 1. | Banco Monex | Was authorized to indirectly invest up to \$500,000 SGD, through Monex Europe Holdings Limited, in securities representing the capital of the foreign financial entity denominated MonexFX Pte. Ltd. whose object would be oriented to the exchange of currencies, predominantly Singaporean dollars (SGD), U.S. dollars (USD), euros (EUR), pounds sterling (GBP), Australian dollars (AUD), New Zealand dollars (NZD), and Swiss francs (CHF). Its market would initially be focused on businesses and SMEs established or with interests in Singapore, with an option to expand its offer to potential customers throughout the region. |
| 2. | Vector Casa de Bolsa | This brokerage firm was authorized to maintain an indirect investment through Vectormex International, holding company incorporated in the United States of America, in the representative shares of 100% of the capital stock of VECTORGLOBAL IAG, Inc. (investment advisor incorporated in the United States of America), Sociedad de Mercados y Capitales CLP Agencia de Valores SpA, and in VECTORGLOBAL WMG Chile Asesores Financieros SpA (brokerage firm and service company, respectively, incorporated in Chile), as well as in Vector (Suisse) SA. (provider of investment advisory and assets management services, incorporated in Switzerland). |
| 3. | Banco Inbursa | Note was taken of the investment that this entity carried out indirectly and through Banco Inbursa de Investimentos S.A. (Brazilian financial institution), in the capital stock of Global Payments South America, Brasil, Servicios de Pagamentos S.A., and Global Payments, Servicios de Pagamentos S.A., Brazilian service providers. |

| Popular savings and loan sector | | |
|---------------------------------|--|--|
| N.º | Entity | Details |
| 1. | Sociedad de Ahorro y Crédito La Paz, S.A. de C.V., S.F.P. | In order to strengthen the liquidity, solvency, stability, and business structure of this popular financing company in favor of its customers and partners, Monte de Piedad, I.A.P. and Fundación Monte de Piedad, I.A.P. were authorized to acquire 100% of the representative shares of its capital stock. |



ANNEX F. REFORMS TO CORPORATE BYLAWS

| IBM statutory amendments | | | | |
|-----------------------------|--|-------------------|----------|----------------|
| Name | Approval of Corporate Bylaws and Reforms | | | |
| | Capital stock | Corporate address | Regime | Administration |
| Banco Actinver | 1 | | | |
| Banco Ahorro Famsa | 3 | | | |
| Banco Compartamos | 1 | | | |
| Banco Finterra | 2 | | | |
| Banco Inbursa | | | | 1 |
| Banco Inmobiliario Mexicano | 1 | | | |
| Banco Mercantil del Norte | 3 | | | 1 |
| Banco Monex | 1 | | | |
| Banco Mifel | 1 | | | |
| Banco PagaTodo | 3 | | | |
| Banco Regional de Monterrey | | | | 1 |
| Banco Santander | 1 | 1 | | |
| Bankaool | 1 | | | |
| Bancrea | 2 | | 1 | |
| Barclays Bank México | | | | 1 |
| HSBC | 1 | | | |
| Intercam Banco | 1 | | | |
| Scotiabank Inverlat | 3 | | | |
| Shinhan | 1 | | | |
| UBS Bank México | 2 | | | |
| Total (34 reforms) | 28 | 1 | 1 | 4 |

| Statutory amendments of brokerage firms | | | |
|---|--|-------------------|----------------|
| Name | Approval of Corporate Bylaws and Reforms | | |
| | Capital stock | Corporate address | Administration |
| Casa de Bolsa Base | 1 | | |
| Evercore Casa de Bolsa | 1 | | |
| Inversora Bursátil | | | 1 |
| Vector Casa de Bolsa | | | 1 |
| Dumbarton Securities México | 1 | | |
| Intercam | | | 1 |
| Santander | | 1 | |
| CI Casa de Bolsa | 1 | | |
| GBM Casa de Bolsa | 1 | | |
| Goldman Sachs | 2 | | |
| Masari Casa de Bolsa | 1 | | |
| Morgan Stanley | 1 | | |
| Total (13 reforms) | 9 | 1 | 3 |

| Statutory reforms of the popular savings and loan sector | | | | | | |
|--|--|--|-------------------|-----------|-------------------|--------------|
| Sector | Entity | Approval of Corporate Bylaws and Reforms | | | | |
| | | Capital stock | Corporate address | Regime | Corporate purpose | Company Name |
| Popular financing companies (SOFIPOs) | Fincomún, Servicios Financieros Comunitarios | | | | 2 | |
| | Financiera Súmate | 1 | | | | |
| | Paso Seguro Creando Futuro | 1 | | 1 | | |
| | Opciones Empresariales del Noreste | 1 | | | | |
| | Sociedad de Ahorro y Crédito La Paz | 1 | | | | |
| | Consejo de Asistencia al Microempendedor | 1 | | | | |
| | Sociedad Financiera de Crédito Popular Nacional | 1 | | | | |
| | Libertad Servicios Financieros | 1 | 1 | | | |
| | Tepadi | 1 | | | | |
| | Ictineo Capital | | | | | 1 |
| | Financiera Sustentable para el Desarrollo de México | 1 | | | | |
| | Operadora de Recursos Reforma | | | 1 | | |
| | Alta Servicios Financieros | 2 | | | | |
| | Federations | Federación Victoria Popular | | | 2 | |
| Savings and Loan Cooperatives (SOCAPs) | Caja Buenos Aires | | | 1 | | |
| | Caja Cerro de la Silla | | | 1 | | |
| | Caja La Sagrada Familia | | | 1 | | |
| | Caja Popular Comonfort | | | 1 | | |
| | Caja Popular Cortázar | | | 1 | | |
| | Caja Popular La Merced | | | 1 | | |
| | Caja Popular Padre Epifanio Padilla de Tangamandapio | | 1 | | | |
| | Caja San Sebastián del Oeste | | | 1 | | |
| | Caja Itzaez | | | 1 | | |
| | Cooperativa de Ahorro y Préstamo Renacimiento Costa de Oro | | 1 | | | |
| | Cooperativa Tepoztlán | | | 1 | | |
| | San Bernardino de Siena Valladolid | | | 1 | | |
| | Caja Popular Lagunillas | | | 1 | | |
| | Caja Zongolica | | | 1 | | |
| | Caja Solidaria Kafén Tomin | | | 1 | | |
| | Redfin | | | 1 | | |
| Total (35 reforms) | | 11 | 1 | 20 | 2 | 1 |

| Statutory reforms of credit unions | | | |
|---|--|----------|--------------|
| Entity | Approval of Corporate Bylaws and Reforms | | |
| | Capital stock | Regime | Company Name |
| Unión de Crédito Agrícola e Industrial de Guasave | | 1 | |
| Unión de Crédito Estatal de Productores de Café de Oaxaca | 1 | | |
| Unión de Crédito de Distribuidores Automotrices | | 1 | |
| Unión de Crédito Chihuahuense | 1 | | |
| Unión de Crédito Define | | 1 | |
| Unión de Crédito Vidacredit | | 1 | |
| Unión de Crédito San Marcos | | 1 | |
| Ficein Unión de Crédito | 1 | | |
| Unión de Crédito Agropecuaria de Guanajuato | 1 | | |
| Valora Unión de Crédito | 1 | | |
| Crece Unión de Crédito | | | 1 |
| Unión de Crédito para la Contaduría Pública | 1 | | |
| Total (12 reforms) | 6 | 5 | 1 |

| Statutory reforms of other sectors | | | | | | |
|------------------------------------|--|---|----------|-------------------|--------------|----------------|
| Sector | Entity | Aprobación de estatutos sociales y reformas | | | | |
| | | Capital stock | Regime | Corporate purpose | Company name | Administration |
| Investment funds operators | Operadora Inbursa | | | | | 1 |
| | Value Operadora | 1 | | | | |
| | Vector Fondos | 1 | | | | |
| | Interacciones | 1 | | | | |
| | Nafinsa | 1 | | | | |
| | Compass Investments de México | 1 | | | | |
| | Más Fondos | | 1 | | | |
| Service Companies | Covaf | 1 | 1 | | | |
| | Solium México | 1 | | 1 | 1 | |
| | Estrategia en Finanzas & Infraestructura | | | 1 | | |
| Total (13 reforms) | 7 | 2 | 2 | 1 | 1 | |



ANNEX G. OPERATIONAL AND LEGAL ASPECTS

| New operating models of banking correspondents | |
|--|-------------------|
| Entity | Commission agents |
| BBVA Bancomer | 3 |
| Banorte | 1 |
| Banco Compartamos | 2 |
| Bansefi | 1 |
| Banco Inbursa | 2 |

| Extensions of purpose of the commissions to previously authorized correspondents | |
|--|-------------------|
| Entity | Commission agents |
| Banco Compartamos | 2 |
| Bansefi | 1 |
| Inbursa | 2 |
| Bancoppel | 1 |
| HSBC | 1 |

| Self-correction programs | | |
|--|------------------------------|---------------------------------------|
| Authorizations | | |
| Sector | Entity | Amount |
| Banking | Bancrea | 1 |
| | HSBC | 1 |
| | FOVI | 2 |
| | Sociedad Hipotecaria Federal | 2 |
| | American Express Bank | 1 |
| | Interacciones | 1 |
| | Banorte | 1 |
| | Bankaool | 1 |
| | Nafin | 1 |
| | Banamex | 1 |
| | Compartamos | 1 |
| Bansefi | 1 | |
| Stock market | Moody's | 1 |
| Credit unions | Valora Unión de Crédito | 1 |
| | Unión de Crédito Monarca | 1 |
| Promotion bodies and promotion entities | Fovissste | The self-correction program was noted |

| Inadmissible self-correction programs | | |
|---------------------------------------|--------------------------|--------|
| Cause of inadmissibility | | |
| Sector | Entity | Amount |
| Banking | FOVI | 1 |
| | Banco del Bajío | 1 |
| | Banco Ve por Más | 1 |
| Stock market | HSBC Global | 1 |
| | Casa de Bolsa Ve por Más | 1 |
| Investment funds | Old Mutual | 1 |
| | BNP Paribas | 1 |

| Capital investments and divestments | | | |
|-------------------------------------|--|---|---------------|
| Capital investments | | | |
| Investing entity | | Receiving entity | |
| Sector | Name | Name | Activity |
| Banking | Banco Sabadell | CECOBAN | Services |
| | Mizuho Bank | CECOBAN | Services |
| | Interacciones | Interacciones Sociedad Operadora ¹ | Fund operator |
| | Interacciones | Inmobiliaria Interdiseño | Real-estate |
| | Banorte | SWIFT | - |
| | Progreso Chihuahua | CECOBAN | Services |
| | Industrial and Commercial Bank of China México | CECOBAN | Services |
| Stock market | Casa de Bolsa Interacciones | Inmobiliaria Interin | Real-estate |

| Capital divestments | | | |
|---------------------|---------------|--|----------|
| Investing entity | | Receiving entity | |
| Sector | Name | Name | Activity |
| Banking | Banco Inbursa | Seguridad Inbursa, S.A. de C.V. ² | Services |
| | Bancomer | Financiera Ayudamos SOFOM | SOFOM |
| | Bancomer | Solium México | Services |
| | Banorte | CECOBAN | Services |

1/ Investment increase.

2/ Capital stock divestment.

Opinions to the SHCP: Other statutory reforms

| N.º | Entity | Topic of statutory reform |
|-----|--------------------------------|--|
| 1. | JP Morgan Grupo Financiero | Financial Reform. |
| 2. | Grupo Financiero Actinver | Conflict of interest prevention system. |
| 3. | Grupo Financiero HSBC | Conflict of interest prevention system. |
| 4. | Grupo Financiero Inbursa | Conflict of interest prevention system. |
| 5. | Grupo Financiero Mifel | Conflict of interest prevention system. |
| 6. | Grupo Financiero Scotiabank | Conflict of interest prevention system. |
| 7. | Value Grupo Financiero | Conflict of interest prevention system. |
| 8. | Grupo Financiero Base | Conflict of interest prevention system. |
| 9. | Vector Grupo Financiero | Conflict of interest prevention system. |
| 10. | Grupo Financiero Inbursa | CF Credit merger, statutory amendment, and approval of the Single Agreement of Responsibilities. |
| 11. | Grupo Financiero Inbursa | Statutory amendment and approval of the Single Agreement of Responsibilities. |
| 12. | Vector Grupo Financiero | Acquisition of Vector Casa de Bolsa and Vector Operadora de Fondos de Inversión. |
| 13. | Grupo Financiero Scotiabank | Investment in Globalcard and merger of Scotiabank, statutory amendment, and approval of the Single Agreement of Responsibilities. |
| 14. | Asociación de Bancos de México | Opinion request for authorization of Pemex special accounting criteria. |
| 15. | Banco Mercantil de Norte | Opinion request for authorization of special accounting registration. |
| 16. | Banregio Grupo Financiero | Conflict of interest prevention system. |
| 17. | CCV ¹ de México | Statutory amendment due to increase in capital stock. ² |
| 18. | Grupo Financiero BBVA Bancomer | To consider the conflict of interest prevention system. |
| 19. | Grupo Financiero BBVA Bancomer | a) Merger of BBVA Bancomer with Hipotecaria Nacional, S.A. de C.V., SOFOM ER, Desitel Tecnología y Sistemas, S.A. de C.V., and Betese, S.A. de C.V. b) Amendment to the corporate bylaws of the financial group and to the Single Agreement of Responsibilities. |
| 20. | Grupo Financiero Banorte | To consider the conflict of interest prevention system and the integration of the nominations committee. |
| 21. | Grupo Financiero Banorte | Reform relative to the address, assemblies, and nominations committee. |
| 22. | Grupo Financiero Barclays | To consider the conflict of interest prevention system. |
| 23. | Grupo Financiero Credit Suisse | To consider the conflict of interest prevention system. |
| 24. | Grupo Financiero Interacciones | To consider the conflict of interest prevention system. |
| 25. | Grupo Financiero Ve por Más | Amendment for the publication of the call in the electronic system of the Ministry of Economy and to consider the conflict of interest prevention system |
| 26. | Grupo Financiero Ve por Más | a) Incorporation of Seguros Multiva to Grupo Financiero Ve por más. b) Statutory amendment and modification to the Single Agreement of Responsibilities, in order to reflect the incorporation of Seguros Multiva to that financial group. |
| 27. | Intercom Grupo Financiero | To consider the conflict of interest prevention system. |
| 28. | Monex Grupo Financiero | To consider the conflict of interest prevention system. |
| 29. | Afirme Grupo Financiero | Statutory amendment to consider: (i) The current company name of Fondos de Inversión Afirme, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Afirme Grupo Financiero (Fondos de Inversión Afirme). (ii) The publication of calls for meetings in the electronic system of the Ministry of Economy. (iii) The conflicts of interest prevention system, as well as the amendment to the Single Agreement of Responsibilities to include the aforementioned name of Fondos de Inversión Afirme. |
| 30. | Banjército | Exception to hire third-party services. |

| Opinions to the SHCP: Other statutory reforms | | |
|---|------------------------------|---|
| N.º | Entity | Topic of statutory reform |
| 31. | Grupo Financiero Banamex | Amendment to its corporate bylaws in order to consider the conflict of interest prevention system. |
| 32. | Grupo Financiero Multiva | Termination of Seguros Multiva, S.A., Grupo Financiero Multiva, as well as an amendment to the Single Agreement of Responsibilities. |
| 33. | Grupo Financiero Multiva | Amendment to its corporate bylaws in order to consider the conflict of interest prevention system. |
| 34. | Grupo Financiero Santander | Amendment to its corporate bylaws in order to consider the conflict of interest prevention system. |
| 35. | Grupo Financiero Santander | Amendment to its corporate bylaws in order to: (i) Delete references to the Federal District. (ii) Consider that the calls for the shareholders' meeting of this financial group will be made through the electronic system established by the Ministry of Economy. (iii) Establish the possibility that the meetings of the board of directors may be held both in national territory and in any other place that said council deems appropriate. |
| 36. | Grupo Financiero Santander | a) Merger of Santander Vivienda, S.A. de C.V., SOFOM ER, Grupo Financiero Santander México, as the surviving company with Santander Hipotecario, S.A. de C.V., SOFOM ER, Grupo Financiero Santander México Holding. b) Amendment to article 2 of the corporate bylaws of Grupo Financiero Santander. c) Amendment to the Single Agreement of Responsibilities. |
| 37. | Grupo Financiero Santander | a) Amendment to its corporate bylaws in order to consider the issuance of capital instruments and eliminate the references to Santander Hipotecario, S.A. de C.V., SOFOM ER, Grupo Financiero Santander México. b) Amendment to the Single Agreement of Responsibilities. |
| 38. | J.P. Morgan Grupo Financiero | Amendment to its corporate bylaws in order to consider the conflict of interest prevention system. |

1/ Central Counterparty of Securities.

2/ Two opinions were issued to the SHCP during the year.

Other operational and legal authorizations and opinions

Institutions for the deposit of securities and Mexican Stock Market

| N.º | Entity | Details |
|-----|----------------|--|
| 1. | Indeval | <ul style="list-style-type: none"> • Modification to its operating manuals and manual for international operation. • Modification to its participation in Corporativo Mexicano del Mercado de Valores. • An opinion was issued to the SHCP for the investment in a representative share of the capital stock of The Depository Trust Company. |
| 2. | BMV | <ul style="list-style-type: none"> • Two amendments to its internal regulations on operational and other matters, as well as the modification to its shareholding in Corporativo Mexicano del Mercado de Valor. |

Popular financing companies sector

| N.º | Entity | Details |
|-----|---|---|
| 1. | Crediclub, S.A. de C.V., S.F.P. | It was authorized to carry out new operations, consisting of receiving demand and term deposits, thereby strengthening its liabilities operations and the external financing of said company for the obtention of resources. |
| 2. | Fincomún, Servicios Financieros Comunitarios, S.A. de C.V., S.F.P. | It was authorized to carry out an additional operation, consisting of the issuance of credit titles in series or in mass, in order to encourage the growth of companies that grant access to financial services to the popular sector. In particular, it will be allowed to have greater funding opportunities that can be reflected in better infrastructure, internal controls, systems of operations, accounting, and security, for the benefit of its customers and partners. |

Credit unions sector

| N.º | Entity | Details |
|-----|---|--|
| 1. | Valora Unión de Crédito | Their capital restoration plans were approved. |
| 2. | Unión de Crédito de Gómez Palacio | |
| 3. | Unión de Crédito Esfera | They were authorized to enter into lending operations that exceeded the maximum funding limits set forth in the LUC. |
| 4. | Unión de Crédito Industrial | |
| 5. | Agropecuario de la Laguna | |
| 6. | Unión de Crédito Mixta de Coahuila | |
| 7. | Unión de Crédito Concreces | It was authorized to issue preferred shares. |

Sector de sociedades controladoras de grupos financieros

| N.º | Entity | Details |
|-----|------------------------------------|---|
| 1. | Barclays Grupo Financiero | They were authorized for various committees of these groups to carry out all the functions entrusted to the committees of their member entities, in terms of the Financial Groups Regulatory Law. |
| 2. | Grupo Financiero Ve por Más | |
| 3. | Invex Grupo Financiero | |



ANNEX H. NEW ISSUANCES IN THE STOCK MARKET

| Shares | | |
|-------------------------|---|---|
| Public offering | Company | Approximate amount of public offers (billion MXN) |
| Initial public offering | Servicios Corporativos Javier, S.A.B. de C.V. | \$1,801 |
| | Planigrupo LATAM, S.A.B. de C.V. | \$1,833 |
| | Vinte Viviendas Integrales, S.A.B. de C.V. | \$1,199 |
| Subsequent offering | RLH Properties, S.A.B. de C.V. ¹ | \$1,338 |
| | Grupo Hotelero Santa Fe, S.A.B. de C.V. | \$1,731 |
| | Energética Nova, S.A.B. de C.V. | \$10,717 |
| Total | | \$18,619 |

| Companies that carried out public takeover bids (OPAs) ² | |
|---|---|
| Company | Description |
| Tiendas Soriana, S.A. de C.V. | It held a takeover bid for representative shares of the capital stock of Controladora Comercial Mexicana, S.A.B. de C.V. (Comerci). |
| Turismo Vallarta II, S.A. de C.V. | It held a takeover bid for representative shares of the capital stock of Consorcio Hogar, S.A.B. de C.V. (Hogar). |

1/ One of the main purposes of the Financial Reform was to encourage medium-sized companies to capitalize via the stock market, which was achieved in October 2015, when the representative shares of the capital stock of RLH Properties S.A.P.I.B. de C.V. were registered in the RNV. Said company adopted the stock market regime (Sociedad Anónima Bursátil) and made a subsequent offering in July 2016.

2/ As a result of the takeover bids, the representative shares of the capital stock of La Comer, S.A.B. de C.V. were registered in the RNV and the shares of Comerci and Hogar were deleted from said registry.

Source: CNBV with information from the RNV.

| RNV registrations without the use of a public offering on the representative shares of the capital stock | |
|--|--|
| Company | Description |
| Newbelco SA/NV | All its representative shares of the capital stock were registered in the RNV, without a public offering being executed, as a result of the merger between Anheuser-Busch Inbev SA/NV and SabMiller. |

Source: CNBV with information from the RNV.

| Fiduciary stock certificates | |
|--|--|
| Issuance | Description |
| Capital Development Certificates (CKD) | The initial public offering of twelve issuances of CKD for a total amount of approximately \$8.102 billion MXN, 32 capital calls of previously placed certificates for a total amount of approximately \$5.829 billion MXN, and a subsequent offering for a total amount of approximately \$380 million MXN, were executed. |
| Real Estate Fiduciary Certificates (CBFI) | <ul style="list-style-type: none"> Banco Azteca, S.A., IBM, in its capacity as issuing trustee, executed an IPO of a CBFI issuance for an approximate amount of \$1.811 billion MXN, in which NFD, S.A. de C.V. participates as an advisor and administrator. Banco Invex, S.A., IBM, Invex Grupo Financiero, in its capacity as issuing trustee of the CBFI under the ticker symbol FHIPO, in which Concentradora Hipotecaria, S.A.P.I. de C.V. participates as trustor, advisor, and administrator, executed a subsequent offering for an approximate amount of \$2.195 billion MXN. |
| Trust certificates for investment projects (Cerpi) | The issuance of the first Cerpi (MIRA) was executed, under Mira Manager, S. de R.L. de C.V. as trustor and administrator, for a maximum amount of \$4 billion MXN. |
| Trust certificates for investment in energy and infrastructure (CBFE) | The public offering of the first Fibra E (FVIA) was executed, under Infraestructura Viable, S.A. de C.V. as trustor and administrator, for \$11.835 billion MXN, considering an over-allotment option. This vehicle invested in the representative shares of the capital stock of the promoted company, Promotora y Administradora de Carreteras, S.A. de C.V., (PACSA); Mexican company, residing in Mexico, holder of the license to build, exploit, conserve, and maintain the Mexico-Toluca Highway. |

Source: CNBV with information from the RNV.

| Optional bond issues placed in 2016 | | |
|--|------------------|----------------------------|
| Institution | Number of issues | Total amount (million MXN) |
| BBVA Bancomer, S.A., IBM, Grupo Financiero BBVA Bancomer | 157 | \$6,408 |
| Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, integrante del Grupo Financiero Banamex | 93 | \$7,187 |
| Scotia Inverlat Casa de Bolsa S.A. de C.V., Grupo Financiero Scotiabank Inverlat | 14 | \$389 |
| Banco Santander (México), S.A., IBM, Grupo Financiero Santander | 12 | \$361 |
| Actinver Casa de Bolsa, S.A. de C.V., Grupo Financiero Actinver | 7 | \$83 |
| Total | 283 | \$14,428 |

Source: CNBV with information from the RNV.

| Structured securities | | |
|---|----------------------|----------------------------------|
| Structured bank bonds | | |
| Institution | Placements of titles | Approximate amount (million MXN) |
| HSBC México, S.A., IBM, Grupo Financiero HSBC | 5 | \$446 |
| Scotiabank Inverlat, S.A. IBM, Grupo Financiero Scotiabank Inverlat | 11 | \$1,694 |
| BBVA Bancomer, S.A., IBM, Grupo Financiero BBVA Bancomer | 8 | \$2,315 |
| Total | 24 | \$4,455 |

Source: CNBV with information from the RNV.

| Issuances of bank certificates placed in 2016 | | |
|--|---------------------|----------------------------|
| IBM | Number of issuances | Total amount (million MXN) |
| Banco Interacciones, S.A., IBM, Grupo Financiero Interacciones | 4 | \$6,500 |
| BBVA Bancomer, S.A., IBM, Grupo Financiero BBVA Bancomer | 1 | \$4,000 |
| Banco Actinver, S.A., IBM, Grupo Financiero Actinver | 1 | \$1,200 |
| Banco Multiva, S.A., IBM, Grupo Financiero Multiva | 2 | \$3,000 |
| Banco Inbursa, S.A., IBM, Grupo Financiero Inbursa | 7 | \$13,422 |
| Banco Compartamos, S.A., IBM | 2 | \$2,500 |
| Banco Santander, S.A (México), S.A., IBM, Grupo Financiero Santander | 3 | \$10,000 |
| Total | 20 | \$40,622 |

Source: CNBV with information from the RNV.

| Issuance of stock certificates issued by State-owned enterprises and decentralized public bodies | | |
|--|------------------------|----------------------------------|
| State-owned enterprise | Certificate Placements | Approximate amount (billion MXN) |
| Pemex | 1 | \$5 |
| Infonacot | 2 | \$2.4 |
| Total | 3 | \$7.4 |

Source: CNBV with information from the RNV.

| Securitization with mortgage loans in 2016 | | | | |
|---|-----------|---------------------------------|-----------|----------------------|
| Trust | Trustor | Type of asset | Issuances | Amount (billion MXN) |
| Banco Invex, S.A., IBM, Invex Grupo Financiero | Fovissste | Mortgage Loan Collection Rights | 1 | \$14 |

Source: CNBV with information from the RNV.

| Securitization of assets conducted in 2016 | | | | |
|--|--|---|-----------|----------------------|
| Trust | Trustor | Type of asset | Issuances | Amount (million MXN) |
| Banco Invex, S.A., IBM, Invex Grupo Financiero | Unifin Financiera, S.A.P.I. de C.V., SOFOM ENR | Leasing contracts | 1 | \$2,500 |
| | Corporación Mexicana de Inversiones de Capital, S.A. de C.V. (Bonos Educativos) | Rights for the income of the contribution to the FAM for each of the states | 1 | \$5,000 |
| | Conauto, S.A. de C.V. | Loan contracts | 1 | \$500 |
| | Banco Invex, S.A., IBM, Invex Grupo Financiero (Como fiduciario de los fideicomisos F/2759, F/2746, F/2747 y F/2748) | Collection rights | 1 | \$2,500 |
| | Auto Ahorro Automotriz, S.A. de C.V. - Financiera Planfia, S.A. de C.V. | Collection rights | 1 | \$400 |
| | Navistar Financiera, S.A. de C.V., SOFOM ER | Leasing contracts | 1 | \$536 |
| | Intra Mexicana, S.A. de C.V. | Collection rights | 2 | \$3,500 |
| Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex | Sistema de Crédito Automotriz, S.A. de C.V. | Loan contracts | 2 | \$2,500 |
| | Unifin Financiera, S.A.P.I. de C.V., SOFOM ENR | Leasing contracts | 2 | \$2,500 |

| Securitization of assets conducted in 2016 | | | | |
|--|---|---|-------|---------|
| CI Banco, S.A., IBM | Concesionaria Autopista Perote-Xalapa, S.A. de C.V. | Collection rights | 1 | \$1,469 |
| | Arrendadora y Soluciones de Negocios, S.A. de C.V., SOFOM ENR/Arrendamiento y Soluciones en Activos, S.A. de C.V. | Collection rights | 1 | \$500 |
| | Te Creemos, S.A. de C.V., S.F.P. | Collection rights | 1 | \$314 |
| | Mas Leasing, S.A. de C.V. | Collection rights | 1 | \$400 |
| | AB&C Leasing de México, S.A.P.I. de C.V. | Collection rights | 1 | \$700 |
| | Exitus Credit, S.A.P.I. de C.V., SOFOM ENR | Collection rights | 1 | \$244 |
| | Autopista Arco Norte, S.A. de C.V. | Collection rights | 1 | \$2,000 |
| | Analistas de Recursos Globales, S.A.P.I. de C.V. | Collection rights | 1 | \$455 |
| Unirenta Arrendamientos, S.A. de C.V. | Leasing contracts | 1 | \$515 | |
| Evercore Casa de Bolsa, S.A. de C.V. | HSBC México, S.A., IBM, Grupo Financiero HSBC | Leasing contracts by the Federal Government | 1 | \$1,000 |

Source: CNBV with information from the RNV.

| Securitized assets that stand out without being asset-backed securities in 2016 | | |
|---|-----------|----------------------|
| Issuer | Issuances | Amount (billion MXN) |
| Banxico, as the trustee of the FEFA, and the SHCP as trustor | 3 | \$8 |
| Trust constituted by Fibra Uno Administración, S.A. de C.V. | 3 | \$4.5 |
| Trust in which Concentradora Fibra Danhos, S.A. de C.V. participates as trustor | 1 | \$4 |
| Trust in which Asesor de Activos Prisma, S.A.P.I. de C.V. participates as trustor | 1 | \$1 |
| Trust constituted by Concentradora Hipotecaria, S.A.P.I. de C.V. as trustor | 1 | \$3 |
| Total | 9 | \$20.5 |

Source: CNBV with information from the RNV.



ANNEX I. SANCTIONS

Penalties imposed and fines paid

| Sector | Total of sanction resolutions | Imposed penalty amount (MXN) | Penalty amount paid (MXN) |
|---|-------------------------------|------------------------------|---------------------------|
| IBMs | 355 | 117,215,625 | 71,535,507 |
| Issuers and BMVs | 37 | 95,163,953 | 84,233,739 |
| Investment funds | 47 | 30,359,382 | 15,485,905 |
| Natural persons | 93 | 24,619,923 | 16,386,843 |
| Brokerage firms | 70 | 15,167,145 | 7,128,940 |
| SOFIPOs | 52 | 11,174,163 | 2,823,355 |
| SOCAPs | 122 | 9,052,667 | 4,393,252 |
| Currency exchange centers | 481 | 8,985,102 | 627,114 |
| Credit unions | 87 | 7,800,470 | 3,792,098 |
| SOFOM ERs | 50 | 5,784,249 | 2,209,971 |
| Auxiliary credit activities and organizations (OAACs) | 47 | 5,032,865 | 2,879,376 |
| Other supervised entities | 20 | 3,444,636 | 493,092 |
| Development banks and promotion entities | 11 | 3,187,990 | 2,500,528 |
| SOFOM ENRs | 652 | 990,892 | 459,970 |
| Other entities in the popular savings and loan sector | 11 | 693,594 | 187,952 |
| Money transfer companies | 14 | 479,088 | 161,447 |
| Financial Group's holding companies | 15 | 435,111 | 383,382 |
| Securities appraisers | 3 | 161,054 | 19,142 |
| SICs | 4 | 54,024 | 45,112 |
| Investment advisors | 2 | 0 | 0 |
| Central counterparties of securities | 1 | 0 | 0 |
| Stock exchanges and derivatives contracts | 0 | 0 | 0 |
| Institutions for the deposit of securities | 0 | 0 | 0 |
| Other securities and derivatives market participants | 0 | 0 | 0 |
| Relevant payment system networks participants | 0 | 0 | 0 |
| Other securities and derivatives market participants | 0 | 0 | 0 |
| General total | 2,174 | 339,801,933 | 215,746,724 |



ANNEX J. REVOCATIONS

Financial entities revoked by the CNBV in 2016

| For violations of the law | | | |
|---|---|-----------------|--------------------------------|
| Financial entity | | Official letter | |
| Sector | Name | Number | Date |
| Savings and Loan Cooperatives (SOCAPs) | Caja Cristo Rey, S.C. de A.P. de R.L. de C.V. | P-064/2016 | August 26 th 2016 |
| Credit unions | Unión de Crédito General Centro, Sur y Sureste, S.A. de C.V. | P-028/2016 | April 29 th 2016 |
| | Unión de Crédito Ejidal, Agropecuaria e Industrial del Municipio de Angostura, S.A. de C.V. | P-029/2016 | April 29 th 2016 |
| | Unión de Crédito del Sur de Jalisco, S.A. de C.V. | P-027/2016 | April 29 th 2016 |
| Companies managing investment funds | New York Life México Investments, S.A. de C.V., Sociedad Operadora de Fondos de Inversión | P-050/2016 | June 27 th 2016 |
| Representative offices | Banco Espíritu Santo S.A. | P-030/2016 | April 29 th 2016 |
| Federations | Federación Mexicana de Desarrollo, A.C. | P-079/2016 | October 20 th 2016 |
| Popular financing companies (SOFIPOs) | Alta Servicios Financieros, S.A. de C.V., S.F.P. | P-066/2016 | September 6 th 2016 |

| Upon request of an interested party | | | |
|--|--|-----------------|-------------------------------|
| Financial entity | | Official letter | |
| Sector | Name | Number | Date |
| Popular financing companies (SOFIPOs) | Sociedad Financiera Agropecuaria de Ahorro y Crédito Rural, S.A. de C.V., S.F.P. | P-026/2016 | May 4 th 2016 |
| Representative offices | Citigroup Global Markets Inc. | 310-111582/2016 | October 18 th 2016 |



ANNEX K. LIST OF INTERNATIONAL COMMITTEES AND WORKING GROUPS IN WHICH OFFICIALS OF THE CNBV PARTICIPATE

| Committee / Group | |
|---|---|
| Basel Committee on Banking Supervision (BCBS) | |
| 1 | Group of Governors and Heads of Supervision (GHOS) |
| 2 | ◦ Basel Committee on Banking Supervision (BCBS) |
| 3 | •Supervision and Implementation Group (SIG) |
| 4 | - Working group on Stress Tests (WGST) |
| 5 | - Task Force on Financial Technology (TFFT) ¹ |
| 6 | - Regulatory Consistency Assessment Programme (RCAP) ² |
| 7 | - Working Group on Operational Risks (WGOR) – also reports to the PDG |
| 8 | •Policy Development Group (PDG) |
| 9 | - Working Group on Liquidity (WGL) |
| 10 | - Working Group on Capital (WGC) |
| 11 | - Trading Book Group (TBG) ³ |
| 12 | •Accounting Experts Group (AEG) |
| 13 | •Anti-Money Laundering Expert Group (AMLEG) |
| 14 | •Task Force on Sovereign Exposures (TFSE) |
| International Organization of Securities Commissions (IOSCO-OICV) | |
| 15 | IOSCO Council |
| 16 | Finance and Audit Committee ⁴ |
| 17 | Committee on Issuer Accounting, Audit and Disclosure (C1) •Accounting Sub-committee •Disclosure Sub-committee |
| 18 | Committee on Regulation of Secondary Markets (C2) |
| 19 | Committee on Regulation of Market Intermediaries (C3) |
| 20 | Committee on Enforcement and the Exchange of Information (C4) / MMoU Monitoring Group / Scrutiny Group |
| 21 | Committee on Investment Management (C5) |
| 22 | Committee on Credit Rating Agencies (C6) 5/ |
| 23 | Committee on Commodity Derivatives Markets (C7) 6/ |
| 24 | Committee on Retail Investors (C8) |
| 25 | Committee on Emerging Risks (CER) |
| 26 | Inter-American Regional Committee (IARC) / Council of Securities Regulators of the Americas (Cosra) |
| 27 | Growth and Emerging Markets Committee (GEM) •GEM Consultative Committee |
| 28 | Market Conduct Task Force ^{7/} |
| 29 | Task Force on OTC Derivatives Regulation ^{8/} |
| 30 | Infrastructure Task Force |
| 31 | Compensation Experts Group |
| 32 | World Federation of Exchanges (WFE) and IOSCO Task Force for SMEs' Financing |

Trans-sectoral groups (Committee on Payments and Market Infrastructures, CPMI-IOSCO)

| | |
|----|--|
| 33 | Permanent Policy Development Group •Implementation of the Principles for Financial Market Infrastructures (PFMI) Level 3 Implementation Review Team on CCPs |
| 34 | Consultative Group |

Financial Stability Board (FSB)

| | |
|----|---|
| 35 | Committee on Supervisory and Regulatory Cooperation (SRC) |
| 36 | •Group for analysis of Central Clearing Interdependencies (CCPs) |
| 37 | Standing Committee on Standards Implementation (SCSI) |
| 38 | •Compensation Monitoring Contact Group (CMCG) |
| 39 | •Peer Review India |
| | Correspondent Banking Coordination Group (CBCG) ⁹ |
| 40 | •WS1 Data collection and analysis |
| 41 | •WS2 Clarification of regulatory expectations |
| 42 | •WS3 Development of the capacity of the national jurisdictions of the countries of origin of affected local banks |
| 43 | •WS4 Strengthening of due diligence tools by banking correspondents |
| 44 | Implementation Monitoring Network (IMN) |
| 45 | Working Group on Governance Frameworks (WGGF) |
| 46 | Regional Consultative Group of the Americas (RCGA) |
| 47 | •Shadow Banking in the Americas Working group (RCGA) ¹⁰ |

Alliance for Financial Inclusion (AFI)

| | |
|----|---|
| 48 | Financial Inclusion Data Measuring Working Group (FIDMWG) |
| 49 | Mobile Financial Services Working Group (MFSWG) |
| 50 | Group of National Strategies for Financial Inclusion Policies |

Financial Action Task Force (GAFI-FATF)

| | |
|----|---|
| 51 | GAFI plenary meeting |
| 52 | •Evaluation of Sweden within the framework of the FATF Fourth Round of Mutual Evaluations |

Association of Supervisors of Banks of the Americas (ASBA)

| | |
|----|--|
| 53 | Annual Meeting |
| 54 | Board of Directors |
| 55 | •Working Group: Deposit Insurance Schemes and Banking Resolution Framework ASBA-IADI |
| 56 | •Strategic Planning Working Group ¹¹ |
| 57 | •Statutory Review Working Group ¹² |

International Accounting Standards Board (IASB)

| | |
|----|----------------------------|
| 58 | Assessment Council of IFRS |
|----|----------------------------|

Ibero-American Securities Market Institute (IIMV)

| | |
|----|-------------------------------|
| 59 | Authorities of the IIMV Board |
| 60 | Working study group on SMEs |

North American Securities Administrators Association (NASAA)

| | |
|----|---|
| 61 | NASAA directors' meeting |
| 62 | •Investment Advisers Section ¹³ |
| 63 | •Committee on International Affairs ¹⁴ |

Colleges of Bank Crisis Supervision and Management

| | |
|--|---|
| 64 | BBVA Bancomer |
| 65 | Santander |
| 66 | Bank of Nova Scotia |
| 67 | CitiGroup |
| 68 | HSBC |
| Credit Rating Agencies (CRAS) Supervision Colleges | |
| 69 | •Standard & Poor's; Moody's (SEC- United States of America) •Fitch (ESMA-European Union) |
| Pacific Alliance / Latin American Integrated Market | |
| 70 | Supervisors Meeting •Executive committee |
| 71 | Preparatory Workshop for the Pacific Alliance Financial Integration Meeting |
| Organisation for Economic Co-operation and Development (OECD) | |
| 72 | Corporate management committee ¹⁵ |
| 73 | Latin American Working Group on Corporate Management of Group Companies ¹⁶ |

- 1/ The CNBV joined this group in April 2016.
2/ Participation in this group was at the request of BCBS in order to integrate the evaluation teams.
3/ In 2017 it will be replaced by the Market Risk Group (MRG).
4/ Electronic follow-up.
5/ It will cease to exist once pending work is concluded (Board agreement on October 2016).
6/ Electronic follow-up.
7/ It will cease to exist once pending work is concluded (Board agreement on October 2016).
8/ Electronic follow-up. It will merge with C7 (Board agreement on October 2016).
9/ Participation in the work streams of this group was at the request of the SHCP in March 2016.
10/ Electronic follow-up.
11/ Electronic follow-up.
12/ Electronic follow-up.
13/ Electronic follow-up.
14/ Electronic follow-up.
15/ Electronic follow-up.
16/ To be completed.

| Technical assistance provided in 2016 by the CNBV to foreign authorities and international organizations | | | |
|--|----------------------------|--|--|
| N.º of the assistance | Country/Region | Authority/Organism | Topic |
| 1 | Republic of Chile | Superintendence of Securities and Insurance of Chile | RBA Case Studies in the Four Jurisdictions of Members of the Latin American Integrated Market (MILA). |
| | Republic of Colombia | Financial Superintendence of Colombia | |
| | Republic of Peru | Superintendence of the Securities Market of Peru | |
| 2 | People's Republic of China | China Banking Regulatory Commission | Banking regulatory framework. |
| 3 | Republic of Colombia | Delegation of Colombia | International practices in prudential matters, related to projects that generate own income (project finance). |
| 4 | Republic of El Salvador | Central Reserve Bank of El Salvador | SOCAP regulation and supervision scheme. |
| | | Federation of Cooperative Savings and Loan Associations of El Salvador | |
| | | Superintendence of the Financial System of El Salvador | |

| | | | |
|----|-----------------------------|--|--|
| 5 | Republic of El Salvador | Central Reserve Bank of El Salvador | Status, relevance, and goals of financial inclusion in Mexico, as well as regulation and supervision of SOCAPs. |
| | | Delegation of Deputies of El Salvador | |
| | Federal Republic of Germany | German Confederation of Cooperatives | |
| 6 | Spain | Bank of Spain | Overview of Banco Santander México and the Single Supervision Mechanism, competence of the European Central Bank and the Bank of Spain. |
| | European Union | Central European Bank | |
| 7 | United States of America | International Association of Swaps and Derivatives | Regulatory changes and updates on swaps and derivatives. |
| 8 | United States of America | Federal Reserve Bank of Dallas | Annual visit to verify the general situation of Mexican credit institutions, BBVA Bancomer and Banorte, both with presence in the United States of America. |
| 9 | United States of America | World Bank | Investment fund passport. |
| 10 | United States of America | World Bank | Identify possible areas of cooperation between the World Bank and the CNBV. |
| 11 | United States of America | World Bank | Regulatory developments in credit markets for SMEs, through non-bank financial institutions (NBFIs) in Mexico. |
| 12 | United States of America | World Bank | Regulatory and supervision framework of the NBFIs in Mexico. |
| 13 | United States of America | World Bank | Key aspects in the regulation and supervision of external auditors carried out by various foreign authorities. |
| 14 | France | Embassy of France in Mexico | Presentation of the new financial aggregates in the Embassy of France in Mexico and presentation of the following topics: i. Mexican financial system. ii. Macroeconomic overview of Mexico. |
| 15 | Republic of Guatemala | Superintendence of Banks of Guatemala (SIB) | Bank supervision and follow-up actions methodology. |
| 16 | Sweden | Dunross & Co. | Dunross & Co.'s activities and developments in Mexico, within the securities regulatory framework, particularly with regard to undue conduct in the financial markets. |
| 17 | Republic of Chile | Superintendence of Securities and Insurance of Chile | Risk matrixes, inherent activities, and mitigating risk applicable in each of the four jurisdictions of MILA members. Discussion of key elements and issues of importance in cross-border supervision. |
| | Republic of Colombia | Financial Superintendence of Colombia | |
| | Republic of Peru | Superintendence of the Securities Market of Peru | |
| 18 | Republic of Paraguay | Central Bank of Paraguay (BCP) | Regulatory and supervision framework of bank trusts. |
| 19 | Russia | Central Bank of the Russian Federation (CBR) | RBA. |
| 20 | Republic of South Africa | South African Parliament | CNBV regulatory developments arising from the 2014 Financial Reform and relevant aspects of the Mexican financial inclusion policy. |
| | | Embassy of South Africa in Mexico | |
| 21 | Switzerland | Social Performance Task Force (SPTF) | Universal standards for social performance management and invitation to the CNBV to participate in the XII Annual Meeting of the SPTF (June 2017). |

GLOSSARY

| Name | Acronym |
|---|-------------|
| Asociación de Bancos de México (Association of Banks of Mexico) | ABM |
| Alliance for Financial Inclusion | AFI |
| Administradora de fondos para el retiro (Retirement Funds Administrators) | afore |
| Asociación Mexicana de Capital Privado (Mexican Association of PE & VC Funds) | Amexcap |
| Asociación Mexicana de Intermediarios Bursátiles (Mexican Association of Securities Intermediaries) | AMIB |
| Anti-Money Laundering and Counter-Terrorism Financing | AML/CTF |
| Asociación Mexicana de Sociedades Financieras Populares (Mexican Association of Popular Financing Companies) | Amsofipo |
| Administración Pública Federal (Federal Public Administration) | APF |
| Activos ponderados sujetos a riesgo totales (Total weighted assets subject to risk) | APSRT |
| Asigna Compensación y Liquidación | Asigna |
| Banco Nacional de Comercio Exterior (National Foreign Trade Bank) | Bancomext |
| Banco Nacional del Ejército, Fuerza Aérea y Armada (National Bank of the Army, Air Force, and Navy) | Banjército |
| Banco Nacional de Obras y Servicios Públicos (National Bank for Public Works and Services) | Banobras |
| Banco del Ahorro Nacional y Servicios Financieros (National Savings and Financial Services Bank) | Bansefi |
| Banco de México (Bank of Mexico) | Banxico |
| Basel Committee on Banking Supervision | BCBS |
| Business Continuity Plan | BCP |
| Business Intelligence | BI |
| Banco Interamericano de Desarrollo (Inter-American Development Bank) | BID |
| \$1,000,000,000 Mexican pesos | billion MXN |
| Bank for International Settlements | BIS |
| Bolsa Mexicana de Valores (Mexican Stock Exchange) | BMV |
| Business Process Analysis | BPA |
| Base Points | BPS |
| Certificados Bursátiles Fiduciarios (Trust Certificates) | CBF |
| Certificados Bursátiles Fiduciarios en Energía e Infraestructura (Trust Certificates for Investment in Energy and Infrastructure) | CBFE |
| Certificados Bursátiles Fiduciarios Inmobiliarios (Real-estate Trust Certificates) | CBFI |
| Coefficiente de Cobertura de Liquidez (Liquidity Coverage Ratio) | CCL |
| Costo de captación porcentual promedio (Total average deposit-taking cost) | CCPT |
| Calificación de Entidades Financieras con Enfoque de Riesgos (Risk Focused Rating of Financial Entities) | Cefer |
| Comité de Ética y de Prevención de Conflictos de Interés (Ethics and Conflicts of Interest Prevention Committee) | Cepci |

| Name | Acronym |
|--|------------|
| Certificados Bursátiles Fiduciarios de Proyectos de Inversión (Trust Certificates for Investment Projects) | Cerpi |
| Commodity Futures Trading Commission | CFTC |
| Consejo Mexicano de Normas de Información Financiera (Mexican Board of Financial Reporting Standards) | Cinif |
| Certificados Bursátiles Fiduciarios de Desarrollo (Capital Development Certificates) | CKD |
| Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission) | CNBV |
| Comisión Nacional de los Derechos Humanos (Human Rights National Commission) | CNDH |
| Comisión Nacional de Hidrocarburos (National Hydrocarbons Commission) | CNH |
| Comisión Nacional de Seguros y Fianzas (National Commission of Insurances and Sureties) | CNSF |
| Conferencia Nacional de Gobernadores (National Conference of Governors) | Conago |
| Consejo Nacional de Inclusión Financiera (National Council for Financial Inclusion) | Conaif |
| Comisión Nacional de Vivienda (National Housing Commission) | Conavi |
| Comisión para la Protección y Defensa de los Usuarios de Servicios Financieros (National Commission for the Protection of Users of Financial Services) | Condusef |
| Comisión Nacional del Sistema de Ahorro para el Retiro (National Retirement Savings System Commission) | Consar |
| Council of Securities Regulators of the Americas | Cosra |
| Committee on Payments and Market Infrastructures- International Organization of Securities Commissions | CPMI-IOSCO |
| Disposiciones de carácter general aplicables a las instituciones de crédito (General provisions applicable to credit institutions) | CUB |
| Disposiciones de carácter general aplicables a las casas de bolsa (General provisions applicable to brokerage firms) | CUCB |
| Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores (General provisions applicable to issuers of securities and other securities market participants) | CUE |
| Disposiciones de carácter general aplicables a las entidades de ahorro y crédito popular, organismos de integración, sociedades financieras comunitarias y organismos de integración financiera rural, a que se refiere la Ley de Ahorro y Crédito Popular (General provisions applicable to popular savings and loan institutions, integration organizations, community financial companies, and rural financial integration organizations, referred to in the Law on Popular Savings and Loan) | CUEACP |
| Disposiciones de carácter general aplicables a los fondos de inversión y a las personas que les prestan servicios (General provisions applicable to investment funds and their service providers) | CUFI |
| Disposiciones de carácter general aplicables a los almacenes generales de depósito, casas de cambio, uniones de crédito y sociedades financieras de objeto múltiple reguladas (General provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies) | CUIFE |
| Disposiciones de carácter general aplicables a los organismos de fomento y entidades de fomento (General provisions applicable to promotion bodies and promotion entities) | CUOEF |
| Clave Única de Registro de la Población (Unique Population Registry Code) | CURP |

| Name | Acronym |
|---|----------|
| Disposiciones de carácter general aplicables a las sociedades cooperativas de ahorro y préstamo (General provisions applicable to savings and loan cooperatives) | CUSOCAP |
| Diario Oficial de la Federación (Official Gazette of the Federation) | DOF |
| Domestic Systemically Important Banks | DSIB |
| Encuesta de Clima y Cultura Organizacional (Institutional Culture and Work Environment Survey) | ECCO |
| Estrategia Digital Nacional (National Digital Strategy) | EDN |
| Encuesta Nacional de Inclusión Financiera (National Survey on Financial Inclusion) | ENIF |
| Evaluación Nacional de Riesgos de lavado de dinero y financiamiento al terrorismo (National Assessment of Money Laundering and Terrorism Financing Risks) | ENR |
| Estimaciones preventivas para riesgo crediticio/cartera total (Preventive estimates for credit risk / total portfolio) | EPRC/CT |
| Evaluación de la suficiencia de capital bajo escenarios internos (capital adequacy assessment under internal scenarios) | ESC (EI) |
| European Securities and Markets Authority | ESMA |
| European Union | EU |
| Financial Action Task Force | FATF |
| Federal Reserve System | Fed |
| Fondo Especial para el Financiamiento Agropecuario (Special Fund for Agricultural Financing) | FEFA |
| Fondo Especial de Asistencia Técnica y Garantías para Créditos Agropecuarios (Special Fund for Technical Assistance and Guarantees for Agricultural Credits) | FEGA |
| Fondos de inversión (Investment funds) | FI |
| Fideicomiso de Inversión en Infraestructura y Energía (Infrastructure and Energy Investment Trust) | Fibra E |
| Fideicomisos de Infraestructura y Bienes Raíces (Infrastructure and Real Estate Trust Funds) | Fibras |
| Fideicomiso de Fomento Minero (Mining Development Trust) | Fifomi |
| Financial Inclusion Initiative for Latin America and the Caribbean | FILAC |
| Fondos de inversión de capitales (Capital investment funds) | Fincas |
| Fondo para el Fortalecimiento de Sociedades y Cooperativas de Ahorro y Préstamo y de Apoyo a sus Ahorradores (Trust for the Management of Funds for the Strengthening of Savings and Loan Cooperatives and Companies and for the Support to their Savers) | Fipago |
| Fideicomisos Instituidos en relación a la Agricultura (Instituted Agricultural Funds) | FIRA |
| Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero (National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development) | FND |
| Fondo de Supervisión Auxiliar de Cooperativas de Ahorro y Crédito y de Protección a sus Ahorradores (Fund for the Auxiliary Supervision of Savings and Loan Cooperatives and for the Protection of its Savers) | FOCOOP |
| Fondo de Garantías y Fomento para la Agricultura, Ganadería y Avicultura (Fund for Guarantees and Promotion for Agriculture, Livestock, and Poultry) | Fondo |
| Fondo de Garantía y Fomento para las Actividades Pesqueras (Guarantee and Development Fund for Fishing Activities) | Fopesca |
| Fondo de Operación y Financiamiento Bancario a la Vivienda (Operating and Bank Financing Fund for Housing) | FOVI |

| Name | Acronym |
|---|-----------|
| Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Housing Fund of the Institute of Social Security and Services of the Workers of the State) | Fovissste |
| Financial Sector Assessment Program | FSAP |
| Financial Stability Board | FSB |
| Gross Domestic Product | GDP |
| Group of Governors and Heads of Supervision | GHOS |
| Great Place to Work | GPTW |
| Inter-American Regional Committee | IARC |
| International Accounting Standards Board | IASB |
| Instituciones de banca múltiple (Commercial banks) | IBM |
| Índice de Capitalización (Capitalization index) | ICAP |
| Índice de Cobertura (Coverage index) | ICOR |
| Tecnologías de la Información y Comunicaciones (Information and Communication Technologies) | ICT |
| Índice de fortaleza patrimonial (Balance-sheet strength index) | IFP |
| Índice Herfindahl-Hirschman (Herfindahl-Hirschman index) | IHH |
| Instituto Iberoamericano de Mercados de Valores (Iberoamerican Institute of Securities Markets) | IIMV |
| International Monetary Fund | IMF |
| Índice de Morosidad (Delinquency index) | IMOR |
| Instituto Nacional de Transparencia, Acceso a la Información y Protección de Datos Personales (National Institute of Transparency, Access to Information, and Protection of Personal Data) | INAI |
| Institución para el Depósito de Valores (Institution for the Deposit of Securities) | Indeval |
| Instituto Nacional Electoral (National Electoral Institute) | INE |
| Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography) | Inegi |
| Instituto del Fondo Nacional para el Consumo de los Trabajadores (Institute for the National Fund for Employee Consumption) | Infonacot |
| Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Institute of National Housing Fund for Workers) | Infonavit |
| International Organization of Securities Commissions | IOSCO |
| Instituto para la Protección al Ahorro Bancario (Institute for the Protection of Bank Savings) | IPAB |
| Índice de Precios y Cotizaciones (Mexican Stock Exchange Index) | IPC |
| Ley de Ahorro y Crédito Popular (Law on Popular Savings and Loan) | LACP |
| Ley de Fondos de Inversión (Investment Funds Law) | LFI |
| Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental (Federal Law on Transparency and Access to Governmental Public Information) | LFTAIP |
| Ley General de Organizaciones y Actividades Auxiliares del Crédito (General Law on Auxiliary Credit Activities and Organizations) | LGOAAC |
| Ley de Instituciones de Crédito (Law on Credit Institutions) | LIC |
| Ley del Mercado de Valores (Law on Securities Market) | LMV |
| Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo (Law to Regulate the Activities of Savings and Loan Cooperatives) | LRASCAP |
| Ley de Uniones de Crédito (Law on Credit Unions) | LUC |

| Name | Acronym |
|--|-------------|
| Manual Administrativo de Aplicación General en las materias de tecnologías de la información y comunicaciones, y en la de seguridad de la información (Administrative Handbook of General Application in information and communication technologies, and information security matters) | MAAGTICSI |
| Margen financiero ajustado por riesgos crediticios (Financial margin adjusted for loan risks) | Mafar |
| Mercado Integrado Latinoamericano (Latin American Integrated Market) | MILA |
| \$1,000,000 Mexican pesos | million MXN |
| Enhanced Multilateral Memorandum of Understanding | MMOU |
| Memorandum of Understanding | MOU |
| Micro, small, and medium enterprises | MSMEs |
| Nacional Financiera | Nafin |
| Nivel de Capitalización (Level of capitalization) | Nicap |
| Norma de Información Financiera (Financial Reporting Standard) | NIF |
| Organizaciones y Actividades Auxiliares de Crédito (Auxiliary Credit Activities and Organizations) | OAAC |
| Organisation for Economic Co-operation and Development | OECD |
| Órgano Interno de Control (Internal Control Body) | OIC |
| Organismos de Integración Financiera Rural (Rural financing integration bodies) | OIFR |
| Oferta pública de adquisición de acciones (Public takeover bids) | OPA |
| Programa anual de visitas (Annual Visits Program) | PAV |
| Petróleos Mexicanos | Pemex |
| Padrón de Entidades Supervisadas (Supervised Entities Registry) | PES |
| Procuraduría Fiscal de la Federación (Federation's Fiscal Attorney General Office) | PFF |
| Procuraduría General de la República (Office of the Mexican Attorney General) | PGR |
| Plan Nacional de Desarrollo (National Development Plan) | PND |
| Point Of Sale terminals | POS |
| Percentage points | pp |
| Procuraduría de la Defensa del Contribuyente (Attorney General for Taxpayer Defense) | Prodecon |
| Procuraduría Federal del Consumidor (Office of the Federal Prosecutor for the Consumer) | Profeco |
| Programa Nacional para la Igualdad de Oportunidades y No Discriminación contra las Mujeres (Institutional Culture Program for Equality) | Proigualdad |
| Programa Nacional de Financiamiento al Desarrollo (National Development Financing Program) | Pronafide |
| Programa Nacional para la Igualdad y No Discriminación (National Program for Equality and Non-discrimination) | Pronaid |
| Programa de Trabajo de Control Interno (Internal Control Work Program) | PTCI |
| Plataforma Tecnológica de Supervisión (Supervisory Technological Platform) | PTS |
| Risk-Based Approach | RBA |
| Registro Nacional de Valores (National Securities Registry) | RNV |
| Return on Assets | ROA |
| <i>Return on Equity</i> | ROE |
| Risk Scenario Analytics | RSA |

| Name | Acronym |
|---|-----------|
| Risk Treatment Plan | RTP |
| Sistema de Asignación de Costos por Actividades y Proyectos (System of cost allocation for activities and projects) | Sacap |
| Servicio de Administración y Enajenación de Bienes (Asset Management and Disposal Agency) | SAE |
| Servicio de Administración Tributaria (Tax Administration Service) | SAT |
| Sistema de Control Interno Institucional (Institutional Internal Control System) | SCII |
| Securities and Exchange Commission | SEC |
| Sistema financiero mexicano (Mexican financial system) | SFM |
| Secretaría de la Función Pública (Ministry of Public Administration) | SFP |
| Sistema de Gestión de Seguridad de la Información (Information Security Management System) | SGSI |
| Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit) | SHCP |
| Sociedad Hipotecaria Federal (Federal Mortgage Company) | SHF |
| Sistema de Riesgo Operacional y Tecnológico (Operational and Technological Risk System) | SI-ROT |
| Sistema de Atención de Requerimientos de Autoridad (Authority Requirements Processing System) | Siara |
| Sociedades de Información Crediticia (Credit Information Bureaus) | SIC |
| Sistema de Registration de Prestadores de Servicios Financieros (Financial Service Providers Registration System) | Sipres |
| Sistema Cooperativo de Medios de Pago (Forum of the Cooperative System of Means of Payment) | SISCOOP |
| Sistema Interinstitucional de Transferencia de Información (Interagency Information Transfer System) | SITI |
| Sistema Interinstitucional de Transferencia de Información para Atención a Autoridades (Interagency Information Transfer System for the Attention to Authorities) | SITIAA |
| Pequeñas y Medianas Empresas (Small and medium-sized enterprises) | SMEs |
| Semana Nacional de Educación Financiera (National Week of Financial Education) | SNEF |
| Sociedades Cooperativas de Ahorro y Préstamo (Savings and Loan Cooperatives) | SOCAP |
| Sociedades Financieras Comunitarias (Community Financial Companies) | SOFINCO |
| Sociedades Financieras Populares (Popular Financing Companies) | SOFIPO |
| Sociedades financieras de objeto múltiple (Multi-purpose financing companies) | SOFOM |
| Sociedades financieras de objeto múltiple Entidades No Reguladas (Multi-purpose financing companies – non-regulated entities) | SOFOM ENR |
| <i>Sociedades financieras de objeto múltiple Entidades Reguladas (Multi-purpose financing companies – regulated entities)</i> | SOFOM ER |
| Servidores Públicos de Carrera Titulares (Staff Career Public Officers) | SPCT |
| Social Performance Task Force | SPTF |
| Tasa de Deterioro Ajustada (Adjusted impairment rate) | TDA |
| Tarjetas de crédito (Credit cards) | TDC |
| Unidades de Inversión (Investment Units) | udis |
| Unidad de Inteligencia Financiera (Financial Intelligence Unit) | UIF |
| eXtensible Business Reporting Language | XBRL |

ACKNOWLEDGMENTS

For the preparation of this 2016 Annual Report, the participation of each of the Vice-Presidencies and General Directorates of the CNBV was appreciated, who actively contributed providing information on the most relevant actions that had a positive impact on the SFM.

| | |
|-------------------------------------|--|
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Likewise, we thank the project team that produced the 2016 Annual Report:

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General Directorate of Strategic Planning: Araceli Guadalupe Margain Pitman, Viliulfo Gaspar Gonzalez, Michelle Ivonne Chabert Mendoza, Marisol Ojeda Valenzuela, and Jesús Moisés Morales Reyes.

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| | |
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