



ANNUAL REPORT 2018



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ABOUT THE NATIONAL BANKING AND SECURITIES COMMISSION

The National Banking and Securities Commission (CNBV) is a decentralized body of the Ministry of Finance and Public Credit (SHCP), with technical autonomy and executive faculties.

It aims to supervise and regulate regarding its competence area, the entities that comprise the Mexican Financial System to procure their stability and proper functioning, as well as to maintain and promote the healthy and balanced development of such a system as a whole, to protect public interests.

The Commission also supervises and regulates natural persons and legal entities who carry out activities provided in the laws related to the financial system.

MISSION

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

VISION

To be an efficient, modern and respected authority that seeks the stability of the Financial System in Mexico, following international best practices, and that contributes to the construction of a prosperous Mexico, where families have access to more and better financial services.

In the CNBV, we abide by a strict Code of Conduct, based on the following institutional values and principles:

VALUES



Integrity



Respect



Leadership

PRINCIPLES



Legality



Loyalty



Honesty

PRESENTATION OF THE ANNUAL REPORT 2018

The 2018 Annual Report presented as follows resumes the main actions performed, as well as the results obtained during the year by the CNBV, in compliance with its powers to regulate and supervise the Financial System in Mexico.

Among the main actions of 2018 are those derived from the powers granted to the CNBV by the Law to Regulate the Financial Technology Institutions (also known as the Fintech Law), published in 2017. This Fintech Law involves the issuance of a package of secondary regulation, revision of business models of FTIs, revision of authorization and supervision processes, as well as the creation of a technological platform for carrying out the supervision.

Regarding the regulation, 62 general provisions were issued and modified, highlighting the publication of a consolidated regulation related to external audit services, which includes in a single legal order provisions applicable to the different regulated sectors, establishing the requirements to improve the quality of the external audit processes. Additionally, in the context of the digital transformation that financial entities are going through, based on the intensive use of technology for offering their products and services, the regulatory framework in a matter of technological security for credit institutions was strengthened.

In terms of supervision, the exercises of capital adequacy assessment for credit institutions and brokerage firms continued; the process of implementing the calculation of the daily Liquidity Coverage Ratio (CCL) for commercial banks was followed up. Several efforts were consolidated to guide the supervision from a compliance approach to a risk-based one, mainly in the field of reengineering, improvement, and development of procedures, as well as the automation of substantive activities in the Supervisory Technological Platform. The regularization process and consolidation of the popular finance sector continued through alternatives for the strengthening or orderly exit of the entities.



On the issue of information security, operational contingencies on the topic of cybersecurity were followed-up; work plans of banks to develop verification, identification, and realization of face-to-face operations through biometric data procedures were analyzed. This was done to mitigate the risk of identity theft, and a comprehensive strategy for the prevention and detection of financial crimes was implemented.

In the exercise of its powers, the CNBV revoked the authorization to operate to nine intermediaries, because they incurred in different causes for revocation established in the applicable regulation. These acts of authority gave an orderly exit for those entities whose situation was unfeasible from a financial and operative point of view.

Regarding the authorization processes, 19 new participants in the financial system were licensed, and the new stock exchange (Bolsa Institucional de Valores, S.A. de C.V., BIVA), authorized in 2017 by the SHCP, started operations. In the field of the stock market, stock authorizations were issued for approximately MXN 475,666 million, highlighting the reactivation of the placement of investment trusts in infrastructure and energy (Fibra E).

As to financial inclusion, efforts to increase the penetration of the Financial System in Mexico and to promote a wider offer of services and products focused on covering the needs of unattended sectors were made. During 2018, important endeavors such as the publication of the Ninth National Survey of Financial Inclusion (ENIF) 2018 and the organization of several workgroups of the Alliance for Financial Inclusion (AFI) are highlighted.

This report includes the results of the work carried out by the collaborators (women and men) of the CNBV, committed to executing the tasks derived from the mandate of the institution.

EXECUTIVE SUMMARY

This document aims to inform the most relevant results, as well as the main activities carried out by the CNBV's administrative units during the reporting period. The report includes the following sections:

1

Fintech. Due to the relevance of the publication of the Fintech Law, as well as the impact of this new sector in the Financial System in Mexico, this topic is presented in the first chapter of this document. It summarizes the activities carried out from the publication of the law mentioned above, for the regulation, authorization and supervision of Financial Technology Institutions (FTI), within the scope of the CNBV.

2

Regulation. Chapter 2 contains the main topics that were subject to regulation during the year, among which the compliance with legal obligations, financial innovation, accounting regulation, information requirements, and the constant improvement of regulations stand out. This section presents a summary of the 62 general provisions issued and modified, applicable to financial institutions, and supervised subjects.

3

Supervision. Chapter 3 presents inspection and monitoring activities carried out in each of the monitored sectors and their most relevant results. On the other hand, activities of specialized monitoring, of market behavior and on the topic of prevention of operations with resources of illicit origin and terrorism financing (AML/CTF) carried out, are presented, as well as those related to technical support to supervisory procedures. Additionally, the results of performed investigation visits are mentioned.

4

Authorization. Chapter 4 presents the details of the authorizations granted regarding the organization and operation of new entities, records, and recognitions, corporate restructurings, corporate bylaws and reforms to the constituent regimes, operational and legal aspects of financial entities subjected to the supervision and regulation of the CNBV, as well as new issuances of the stock market.

5

Legal Issues. Chapter 5 summarizes the main legal actions supporting the substantive processes of the CNBV, such as the imposition of sanctions, issuance of offense opinions, attention to contentious matters, and the process of attention over requirements from judicial, fiscal, or administrative authorities.

6

The CNBV and the link with its environment. As part of the relationship that the CNBV has with various national and international bodies, in this chapter, the main actions related to the CNBV's participation as a member of several international organizations and the signing of cooperation agreements are mentioned. In terms of financial inclusion, the presentation of the results of the National Survey of Financial Inclusion (ENIF) 2018, the introduction of interactive maps for the analysis and financial inclusion in Mexico, and the groups of work of the Alliance for Financial Inclusion (AFI) are highlighted. This chapter also 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.

7

Administration. Chapter 7 presents statistics describing, in general terms the collaborators of the institution. It also details the administrative tasks that support the operation of the institution: management of human, material and financial resources, information and communication technologies, process management, and compliance of the 2014-2018 Strategic Plan, as well as the provisions of internal control.

2018 MILESTONES

January
-
March

- Start of operations of Banco S3 Mexico, S.A., subsidiary of Santander Services, specialized in services of deposit, custody and management of securities, belonging to the Santander Group, Spain.
- Presenting interactive maps for consultation and analysis of information about financial inclusion in Mexico.
- Host for the AFI Work Groups Meeting, held in Merida, Yucatan.
- The seat of the IX Meeting of Supervisors of the Pacific Alliance held in Mexico City (CDMX), with the participation of representatives from Chile, Colombia, Mexico and Peru.
- Issuance of the Law to Regulate the Financial Technology Institutions, known as Fintech Law.

April
-
June

- Issuance of the General provisions applicable to entities and issuers supervised by the CNBV contracting the external audit services of basic financial statements, including in a single document the standards applicable to the different regulated sectors.
- Celebration of the 23rd Anniversary of the CNBV's inception.
- Signature of the Coordination Bases in the matter of information security with representatives from financial sector authorities, Procuraduría General de la República (PGR), trade associations of the Mexican financial sector and private financial entities.
- Authorization for the start of operations of Bank of China, Mexico. A subsidiary of Bank of China Limited, established in 1912, and the fourth biggest bank in the world.
- Organization of the second Fintech Forum of the Pacific Alliance, to share experiences and best practices associated with financial innovation and its impact on financial inclusion.
- Signature of the agreement for collaboration, consultation, and information exchange on Fintech projects, between the authorities collaborating in the Ibero-American Securities Market Institute (IIMV).

July
-
September

- Start of operations of Bolsa Institucional de Valores, S.A. de C.V. (BIVA); the second stock exchange in Mexico.
- Issuance of the first provisions derived from the Fintech Law (General provisions applicable to the FTI).
- Publication of the National Report of Financial Inclusion (RNIF), Ninth Edition, in which the evolution of the main indicators in terms of financial inclusion in Mexico was updated. This edition includes the analysis of financial inclusion with a gender perspective.

October
-
December

- Participation in the 11th edition of the National Financial Education Week (SNEF), with several activities promoting financial education.
- Presentation of the results of ENIF 2018, which provides statistical information on the populations about access to and use of financial services.
- Publication of the resolution number 116 modifying the General provisions applicable to credit institutions (CUB), in which the regulatory framework in terms of information security is strengthened, concerning the systems' security and technological infrastructure, as well as the reinforcement of the internal controls required to face risks and cyber-attacks.

The image features a white background with a pattern of light gray hexagons. Several hexagons are outlined with multiple concentric lines in shades of brown and gold. In the upper right, a hexagon is highlighted with a thick, multi-colored border (purple, blue, green, yellow, orange, red) and contains a large, bold, gold-colored number '1.'.

1.

FINTECH

1.1 Introduction

The financial technology (fintech) companies have transformed the traditional way of perceiving financial services. By using disruptive technologies such as blockchain and artificial intelligence, among others, new forms of financing, saving, investment, payment models, digital commerce, and virtual assets have emerged.

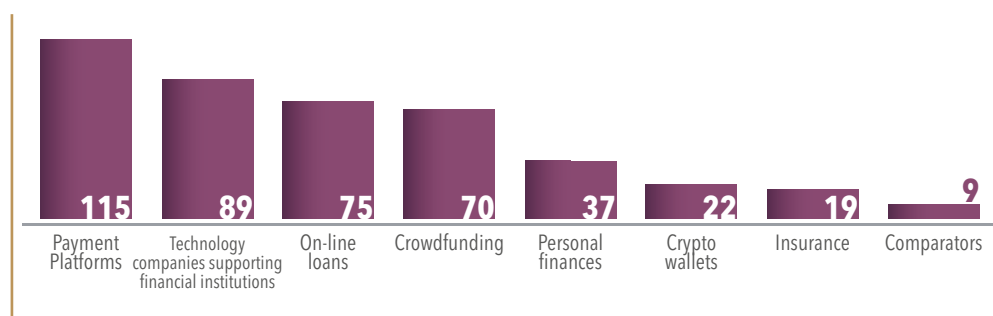
Fintech development has originated a transformation in the financial system all over the world. The companies, financial institutions, and other participants are adapting to such innovations to improve or maintain their competitiveness for the benefit of society. Worldwide, the fintech sector has been characterized by bringing financial services at a lower cost to the population, un-served or sub-served by the traditional financial sector, and Mexico has not been the exception to this phenomenon.

The constant evolution and emergence of new technologies, as well as their application in the financial sector to provide or improve financial services, has provoked the offer of fintech products and services to increase exponentially. Only during 2018, the CNBV identified -by its research in digital media, sites of several platforms of financial technology companies, social media, forums, and information of organizations enhancing the fintech ecosystems- approximately 436 companies¹ related to technological innovations applied to financial services; figure that constantly varies due to the incorporation of new business models and creation of new companies.

1/ The identification of the approximately 436 companies related to technologic innovations was carried out by collecting information available in several electronic media, such as El Economista and El Financiero, among others; social media such as Facebook and Twitter, as well as radars of companies related to the fintech sector, such as Fintech Innovation Radar for Mexico from Finnovista, and forums, among other sources of information.

Fintech companies are very flexible to design, develop and offer a wide range of services resulting in different business models that can be classified as follows: 1) payment platforms, 2) crowdfunding, 3) on-line loans, 4) crypto wallets, 5) service comparators, 6) personal finances, 7) technology companies supporting the development of products and services for financial institutions, and 8) insurance, among others.

Companies related to technological innovations applied to financial services (by type)



Note: Information collected from electronic media (El Financiero, El Economista), social media (Facebook and Twitter), radars of companies related to the fintech sector (Fintech Innovation Radar for Mexico from Finnovista) and forums, among other information sources, to December 2018.

Among the main reasons of the success of fintech companies was that they are business models with easy scalability anywhere in the world.

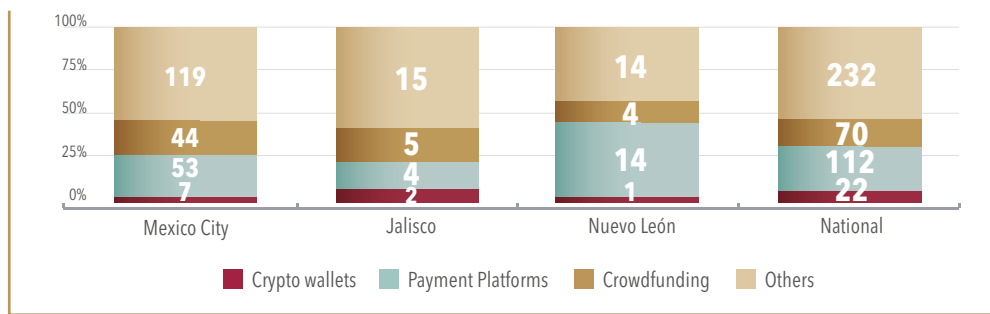


Note: Information collected from electronic media (El Financiero, El Economista), social media (Facebook and Twitter), radars of companies related to the fintech sector (Fintech Innovation Radar for Mexico from Finnovista) and forums, among other information sources, to December 2018.

Moreover, the CNBV identified that the major number of national fintech companies are based in CDMX, Jalisco, and Nuevo Leon, and they represent 65% of the sector.

At the closing of 2018, the crypto wallets, payment platforms, and crowdfunding models represented 47% of the total fintech companies in Mexico, including money transfer companies, some aggregators, crypto wallets, trading and exchange of virtual assets, as well as collective founding of donations or capital contributions of natural persons and legal entities. In Nuevo Leon, this figure represented 58%, while in Jalisco, it amounted to 42%.

Distribution of fintech companies per region



Note: Information collected from electronic media (El Financiero, El Economista), social media (Facebook and Twitter), radars of companies related to the fintech sector (Fintech Innovation Radar for Mexico from Finnovista) and forums, among other information sources, to December 2018.

By the publication of the Law to Regulate Financial Technology Institutions (known as Fintech Law) in the Official Gazette of the Federation (DOF) on March 9, 2018, Mexico became a pioneer in fintech regulation worldwide.

1.2 Fintech Law and its provisions

The CNBV, from 2015 and during the first months of 2018, together with the SHCP and Bank of Mexico (Banxico), participated actively in the elaboration of the Fintech Law, as well as the deliberative process in the Mexican Congress for its approval.

This statutory provision recognizes the benefits that the application of innovative technologies represents in financial services, but also the resulting risks. In this sense, Fintech Law establishes six guiding principles to be implemented and applied:

1. Financial inclusion and innovation;
2. Client protection;
3. Promotion of healthy competence;
4. Preservation of financial stability;
5. AML/CTF;
6. Technological neutrality.

It should be noted that Fintech Law is not intended to regulate all activities related to the provision of financial services from innovative technologies, but only those representing a risk for the users' patrimony.

Therefore, the Law contemplates two types of FTI, which shall be authorized, regulated, supervised and, in its case, sanctioned by the CNBV and other financial authorities such as Banxico and the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF):

1. Crowdfunding Institutions (CFI). Companies whose objective is to perform activities designed to put the public in touch through computer applications, interfaces, websites, or any other electronic or digital media, to allow several people to contribute small amounts of money to fund a loan to a person or a business (debt), subscribe shares of a company (equity) or contribute to finance a project, as exchange for participating in some profit or economic benefit generated by the project development (co-ownership / royalties). In general, this kind of companies are known as crowdfunding platforms.

2. Electronic Payment Funds Institutions (EPFI). Companies whose purpose is to offer services such as issuance, management, redemption and transfer of electronic payment funds, understanding as such, those issued against the reception of money from their clients, referred to the monetary value of such amount, and to the payment obligation by the company, and that are accepted by a third party as a receipt of that account. This kind of service is known as virtual wallets in which a client may accumulate resources and use them later to make payments and wire transfers.

Additionally, the Fintech Law allows open, aggregated and transactional financial data exchange between financial entities, other subjects supervised by the financial authorities and third parties specialized in information technologies through standardized Application Programming Interfaces known as APIs.

This kind of scheme is also known as Open Banking, and its purpose is to improve the access of users to the financial services in searching processes of products and financial services, as well as consolidated management of those contracted with different service providers, among many other uses.

Regarding the authorities, Fintech Law empowers them to:

- Regulate operations that FTI and credit institutions may carry out with virtual assets (commonly named cryptocurrencies), as long as they are recognized and authorized by Banxico, with the conditions and restrictions that it determines.
- Provide temporary authorizations to operate innovative models, both to unregulated companies and to financial institutions, to promote innovation in the provision of financial services. Such authorizations allow these models to test, in a controlled environment, supervised by financial authorities, financial services that use tools or technological means with different modalities from those existing in the market during a limited time, without absorbing the regulatory burden that would be traditionally required.

This framework is internationally known as Regulatory Sandbox, and consists of a direct dialogue between innovators and authorities, allowing them to detect possible risks or unnecessary regulatory barriers to provide these innovative services.

The Fintech Law empowered the CNBV and other authorities to issue general provisions in periods of six, twelve and twenty-four months, from its entry into force. The preceding for it is adapted to the continuous technological changes that may occur in the sector. In this way, during 2018, the CNBV worked in developing several provisions, which detail specific aspects for the FTIs.

General provisions applicable to the FTIs

These provisions were published in the DOF, in September 2018, and correspond to the term of six months established in the Law, regulating several aspects:

- Minimum capital required to operate, depending on the type of transactions performed by the FTI.
- List and information on direct and indirect shareholders.
- List and information of people that will serve as administrators or counselors.
- Accounting criteria and business continuity plan for CFI.
- Additional information and documentation to obtain authorization to organize and operate as FTI.
- Resource limits that the CFI may maintain on behalf of their clients or that a customer may dispose of.
- FTI's authorization request to the CNBV for sending and receiving transfer resources from or into open deposit accounts in foreign financial entities.
- Financing and investment limits for crowdfunding operations.
- Selection criteria for petitioners and financing projects for CFI.

Additionally, in 2018 the CNBV began the design and elaboration of the general provisions corresponding to the twelve months. These include topics such as 1) cybersecurity, 2) use of electronic means to contract and perform operations with clients, and 3) regular information to be submitted to the CNBV, among others.

General provisions related to the societies authorized to operate innovative models referred to in the Fintech Law

The CNBV designed and elaborated such provisions, which were submitted to the National Commission of Regulatory Improvement (Conamer) on October 24, 2018, and dictated on November 28 in the same year. These provisions regulate aspects such as 1) additional documentation and information that must be submitted, so the societies are authorized to operate innovative models, 2) additional criteria to grant temporary authorizations to operate these models, and 3) periodic information that the authorized societies must report to the CNBV to operate innovative models, among others.

General provisions related to the programming interfaces of standardized software applications referred to in the Fintech Law.

During 2018, the Commission worked on the study and development of the regulation concerning APIs operation. However, Fintech Law establishes its issuance until 24 months after its entry into force. In this sense, the CNBV:

- Participated in the preparation of the report, "What is the potential for open banking in México? Recommendations and roadmap for adopting an open banking standard", elaborated by C-Minds, Open Data Institute, The FinTech Hub, and sponsored by Prosperity Fund of the British Embassy, to know the situation and challenges in Mexico to adopt and implement APIs for sharing information.



- Developed APIs standards for open data with the consultancy of OpenVector, who elaborated operation, interoperability, security and maintenance standards in the United Kingdom.
- Contributed to a pilot project on the implementation of the open banking data standard, made with the support of the Coordination of the National Digital Strategy of the Presidency of the Republic, to observe the behavior, difficulties, and challenges on the APIs implementation.

1.3 Authorization process

Technology companies interested in performing activities as FTI shall obtain authorization from the CNBV, meeting the legal and regulatory requirements established by both, the Fintech Law (Clause 39) and the General provisions applicable to FTI (Clause 3), prior agreement of the Interinstitutional Committee.

Interinstitutional Committee

Comprised by 6 proprietary members:



The chairman of the committee is one of the representatives designated by the CNBV, and each member will have a substitute member.

It should be noted that, regarding the resolution to grant the authorization to operate as FTI, it is required the favorable vote of at least one representative of each one of the represented authorities.

During the second half of 2018, and to facilitate the understanding of the requirements and documents established in the law and provisions, which need to be submitted to the CNBV when requiring its authorization, as well as to improve the effectiveness in the service procedures, the Commission elaborated the Guides to request authorization for the organization and operation of FTI, both for CFI and EPFI. Such guides constitute a support tool to explain simply the compliance with every one of the requirements included in the authorization request, facilitating promoters the proper integration of files. These guides were published on November 28th on the Commission's website.

Moreover, the CNBV is in the final stage of developing the guide, on the authorization process of innovative models, which will also be published on its website.

On the other hand, to strengthen communication with the fintech sector, during 2018 the CNBV held meetings with different fintech platforms where, in addition to knowing about their business models, doubts regarding the application of Law, as well as those about the process and authorization request were clarified.

1.4 Technological platform and supervision tools

The CNBV has sought to take advantage of the technological advances and innovations, to modernize its supervision process and develop new methodologies, processes, and tools for monitoring the fintech models more efficiently and thus comply with the powers granted by the Law.

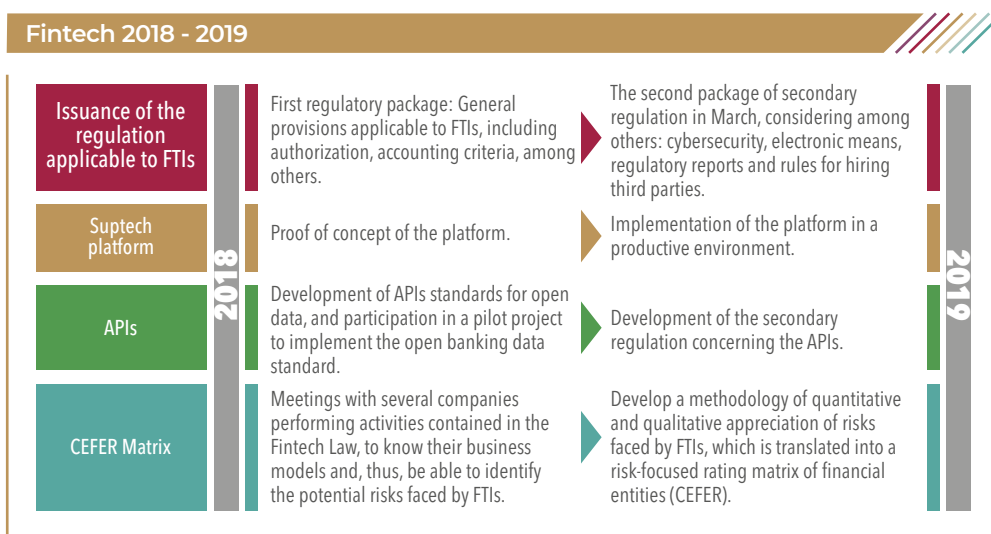
In this sense, the Commission is working on the design and development of a supervision technological platform named Suptech (from the term: supervisory technology). This platform involves a radical change in the current supervision approach, evolving to a proactive and prospective one based on a more dynamic collection of granular information to feed basic and advanced analytical models. This will allow the detection of default and risk patterns more efficiently, using innovative technologies such as computing capacity, APIs, and big data.²

During 2018 a proof of concept was performed, which included the first phase of design and development of the platform. This test covered the whole communication process, exchange, processing, and storage of regulatory information that FTIs shall submit to the CNBV, including the following information submissions: 1) by request of the Commission, 2) periodic, and 3) reporting an operation or transaction in its system. Additionally, the design of tools to present and analyze key metrics obtained from the information received was considered.

This proof of concept allowed establishing the technical specifications for APIs through which FTIs will send their information to the CNBV. Also, it included the system architecture, functional tests with three FTI prospects, and a financial institution already regulated by the Commission. The test helped to detect improvement areas on the initial design of the Suptech Platform for its implementation in a productive environment.

1.5 Next steps

In 2019, the CNBV will continue advancing in the promotion of the fintech sector through the development and issuance of provisions that clarify and detail FTIs operations, maintaining a close communication with the sector.



^{2/} Big data are big volumes of structured and non-structured data used to obtain information, patterns and behavior analysis.

The background features a light beige color with a pattern of overlapping hexagons. Some hexagons are outlined in a thin gold line, while others are outlined in a thin grey line. In the upper right, a large white hexagon contains the number '2.' in a gold serif font. This white hexagon is surrounded by several concentric, multi-colored outlines in shades of purple, blue, and green. The top of the page has a horizontal band with segments of maroon, gold, and green. The bottom left corner has a solid gold shape.

2.

REGULATION

2.1 Introduction

The CNBV has the authority to issue the general provisions to which the entities comprising the financial system in Mexico that are part of its jurisdiction, natural and legal persons performing activities contemplated in the financial laws, as well as other obligated subjects under its supervision, must be subjected.

Likewise, it is empowered to act as a consultation body of the Federal Government in financial matters, as established by the applicable regulation.

In this respect, this section summarizes the main activities carried out in 2018, relating to the issuance of general provisions, amendments, and technical opinions.

During 2018, the CNBV issued and modified 62 general provisions applicable to financial entities or supervised individuals, highlighting the incorporation of the FTI sector. Modifications were performed to improve and strengthen the regulatory framework governing the financial system, as well as to incorporate national and international best practices.

According to the regulatory policy guidelines established by the CNBV, the regulatory projects published in the DOF during this period were developed taking into account a series of relevant aspects, with emphasis on the following topics:

Consolidated regulation for external auditors

As a result of an analysis of external audit practices for financial statements into the financial system, as well as related activities performed by the corporate bodies of entities monitored by the Commission, a comprehensive project on the matter was undertaken that modifies all their applicable provisions. The project was integrated in a single regulatory document, as a consolidated regulation, in which the requirements to improve the quality of external audit processes were established.

In this way, the relationship between the entities and audit offices was strengthened. In this respect, the following was established: 1) requirements to be met by firms and external auditors providing external audit services of financial statements to financial entities and issuers, 2) audit standards applicable to carry out the works, 3) contents of the reports that need to be issued, 4) rules in matter of contracting, substitution, following-up, and evaluation of external audit work, as well as 5) functions that the audit committee of the entities will have, regarding the work of external auditors.

Also, jointly with the National Insurance and Bonding Commission (CNSF) and the National Retirement Savings System Commission (CONSAR), applicable provisions were issued to holding and sub-holding companies of financial groups, which contract external audit services for basic financial statements.

Modifications to the regulatory framework of credit institutions.

During 2018, several amending resolutions to the CUB were issued and published, which modified the regulatory framework applicable to such financial entities in the following matters:

- As far as the capitalization framework is concerned, the benefit for commercial banks (IBM) with a credit portfolio of less than 30 billion of investment units (Udis), consisting of the extension of the term to constitute the capital requirement for operational risks gradually, stands out. This will allow them to make the necessary adjustments in their controls and systems to correctly manage such risk and reflect it in a better way in their calculation.
- To provide more stability to the methodology to indicate the level of the systemic importance of IBMs, the accounts that entities keep out of balance as part of the total assets were included in the decision. Likewise, the definition of the index used to consider the value of the position in derivatives was adjusted to provide greater stability to the indicated methodology and its indicators. This modification allows the national framework to preserve alignment with the standards issued by the Basel Committee on Banking Supervision (BCBS).
- Accuracy of the regime applicable to credit institutions in terms of capitalization requirements, when it comes to credit operations in charge of concessionaires with service provision agreements held with agencies, federal entities, municipalities, and their decentralized bodies, as well as other entities of the public sector. Regarding the financing, it is worth highlighting that these have trusts as guarantee, whose



trust property are federal participations; so that the assigned risk weighting corresponds specifically to the coverage of such guarantees.

- Modifications to help prevent, inhibit, mitigate, and where appropriate, detect any unlawful conduct aimed at impersonating users of banking services. The purpose of these modifications is to strengthen procedures and mechanisms used by credit institutions to identify people contracting active, passive, or service operations with them, or performing transfers and cash withdrawals personally.
- Establishment of the standard relating to the minimum leverage ratio level of 3% for IBMs as a prudential measure, considering that a lower percentage would be out of the BCBS international standards since it should reflect a level of assets, which are not supported by the capital.
- To be able to face risks and cyber-attacks that could affect credit institutions and operations with clients, the regulatory framework on the security of their systems and technological infrastructures was strengthened, as well as their internal controls. In the same manner, a regime was established ensuring the security of the technological infrastructure where operations are supported, as well as the confidentiality, integrity, and availability of the information, so that such institutions have specific measures to protect their information and provide certainty in their operation and continuity of services.

Information delivery to perform the stress tests under supervisory scenarios

As part of the Commission's prudential framework, in line with international standards, some years ago the obligation established to carry out stress exercises through which credit institutions and brokerage firms are subject to adverse scenarios so that the results of such exercises are incorporated in the risk management and the decision-making of the entities themselves.

In this regard, the applicable provisions were modified to allow flexibility in the information delivery periods for the execution of tests under supervisory scenarios, as well as the presentation of the results derived of these, thus facilitating the fulfillment of these obligations from the supervised part, and the information analysis on the part of the authority.

Issuance of provisions derived from the Fintech Law

The first provisions derived from the Fintech law were issued, which establish the regulatory framework applicable to the organization of the FTIs and the operation of the CFLs.

In these, the following topics are regulated, among others: 1) information and documentation necessary to request the authorization to organize and operate as FTI, 2) minimum capital, 3) limits for the reception of cash resources and transfer of resources to or from foreign countries, 4) accounting, financial statements and disclosure of financial information, and 5) hiring of price providers, as well as requirements and conditions for the utilization of internal valuation models, among others.

Specifically, for CFLs the following is regulated: 1) electronic proof about risks, which they must obtain from their clients, 2) limits of resources that can be maintained on behalf of their clients, 3) obligations and commissions, 4) business continuity plan, 5) requirements that must be observed to inform potential investors about the criteria applied for the selection of applicants and projects, 6) information and documentation that they analyze, 7) activities they carry out to verify information and documentation, and 8) minimum elements to be included in the methodologies of evaluation and qualification of applicants and projects.

Relevant modifications to the provisions of the popular savings and loan sector.

To reinforce the normative framework that allows the savers of Popular Financial Companies (SOFIPO) and Community Financial Companies (SOFINCO) to obtain their resources without delay, in case of their disappearance and settlement, or are declared in bankruptcy, the procedure that the Saving Protection Committee must observe for the payment of the guaranteed obligations according to the Law of Popular Savings and Loan (LACP), was incorporated.

Likewise, additional requirements that are mandatory for people who will be part of the said committee were established, to reliably show their technical capacity, with interest in achieving the professionalization of its members.

Additionally, it was established for the case of SOFIPOs that are declared in dissolution, settlement, or bankruptcy, the possibility of using the facilities of other financial entities. This is because it is convenient to increase the number of offices or branches that can receive requests for payment of guaranteed obligations, for the benefit of savers.

Exception for the execution of public offering of securities issuers

In the General provisions applicable to securities issuers and other participants in the securities market (CUE), the exception to execute a public offering for acquisition before the volunteer process of equities cancellation in the National Registry of Securities (RNV) was included, to issuers that simultaneously get the listing of their equities in the international quotation system from any stock exchange entity. Since there would be no effect in the interests of investors since the negotiability of the securities in Mexico should be maintained, operations would continue to be considered legally as made by stock exchanges, and the information would continue to be opportunistically available for investors.

Furthermore, in such an assumption, they would be excluded from the obligation to constitute the trust for the liquidation of their equities, when these are not deposited in any national or foreign institution for the deposit of securities.

Provisions for using the Electronic system of authorizations

The provisions for using the technological tool Electronic system of authorizations were issued to provide an administrative facility to the promoters who process before the CNBV an application for the organization, operation, and functioning of entities established by the financial laws, as well as for Savings and Loan Cooperatives (SOCAP) and SOFINCO to continue to carry out their operations at a level other than basic.

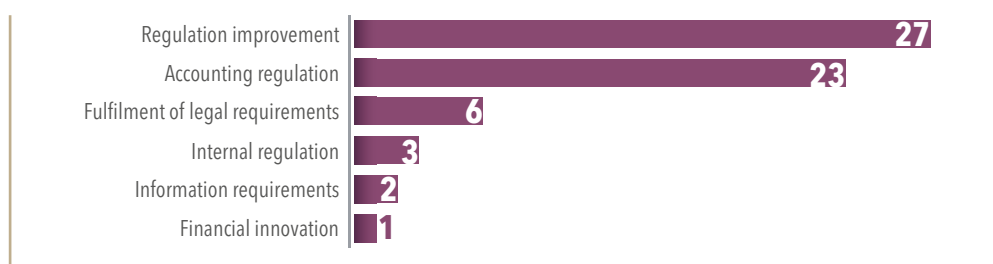
This technological tool allows the secure and truthful exchange of information between the applicant and the authority, promoting the proper integration of records.

Summary of provisions issued

JAN	1	The precision of the formula for the calculation of the benefit for the gradual constitution of capital requirements for operational risks of the IBMs that have a loan portfolio lower than 30 billion of Udis.	Commercial banks	Improvement of regulations
	3	Modifications to accounting criteria, to incorporate several Financial Reporting Standards (NIF) issued by the Mexican Board of Financial Reporting Standards (Cinif), establishing the term for their application.	Brokerage firms, investment funds, participants in the market of derivative contracts, and currency exchange offices.	Accounting regulation
	5	Modifications to accounting criteria, to incorporate several NIFs issued by the Cinif, establishing the term for their application, modification of criteria to cancel, during the term that they take place, the surpluses in the balance of preventive estimates for loan risks, as well as to recognize the recovery of credits.	SOCAP levels I to IV, SOFIPO, SOFINCO, Rural Financial Integration Bodies (OIFR); National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development (FND), promotion bodies and entities, bonded warehouses, and credit unions.	Accounting regulation
	1	Establishment of additional requirements that the members integrating the Saving Protection Committee must to meet; updating of the procedure for the payment of guaranteed obligations if a company must be disappeared and settled, or declared in bankruptcy.	SOFIPO and SOFINCO	Improvement of regulations
FEB	0	Without publications.		
MAR	1	Modification of the methodology to designate the level of the systemic importance of IBMs.	Commercial banks	Improvement of regulations
APR	6	Derogation of the regulations applicable to independent external audit services to be contracted, because they are incorporated into a new regulatory ordering; as well as modification of technical qualities for the members of the audit committee, to specify their selection.	Credit institutions, brokerage firms, SOCAP, SOFIPO, SOFINCO, OIFR, promotion bodies and entities, bonded warehouses, currency exchange offices, credit unions, and regulated Multi-purpose financing companies- (SOFOM E.R.)	Improvement of regulations
	1	Modification of the periods for the delivery of information by brokerage firms, for the performance of stress tests under supervisory scenarios and the presentation of their results; extension of the deadline for accrediting before the CNBV that they can conduct operations with securities traded on the stock exchanges, as well as for the execution of contracts to operate with them.	Brokerage firms	Information requirements
	5	Derogation of the regulations applicable to independent external audit services to be contracted, since they are incorporated into a new regulatory ordering.	Investment funds, stock exchanges, institutions for the deposit of securities, issuers, and FND.	Improvement of regulations
	1	Extension of the term for the accreditation of contracts and computer systems necessary to operate with brokerage firms.	Stock exchanges	Improvement of regulations
	1	Issuance of provisions related to external audit services, including in a single regulatory ordering the provisions applicable to different regulated sectors.	Multi-sectoral	Accounting regulation
	1	Issuance of provisions to regulate the usage and functioning of the technological tool named Electronic system of authorizations for the organization, operation, and functioning of entities.	Multi-sectoral	Compliance with legal obligations
	1	Elimination of the requirement to present of the Unique Population Registry Code of those who promote procedures before the CNBV.	Multi-sectoral	Improvement of regulations
	1	Express delegation to the President and other public officials of the CNBV, about the power to cancel registrations granted to currency exchange centers, money transfer companies, and investment advisors.	Internal regulation	Internal regulation
	2	Acknowledgment of the ratings issued by new securities rating agencies within the framework of the capitalization requirements.	Credit institutions and brokerage firms	Improvement of regulations
JUN	1	Modification of the periods for the delivery of information by the IBMs, for the performance of the stress tests under supervisory scenarios, and presentation of their results.	Commercial banks	Information requirements
	1	The exception to foreign issuers of the obligation to make a takeover bid when they request the cancellation of their shares in the RNV and, simultaneously, obtain the listing of their shares in the International Quotation System.	Issuers	Improvement of regulations
	1	Extension of the deadline for the registration phase and submission of the application for obtaining the certification in terms of AML/CTF.	Multi-sectoral	Compliance with legal obligations
	1	Joint issuance by the national supervisory commissions of the regulatory instrument containing the requirements that firms and external auditors that provide external audit services of financial statements must meet.	Holding and sub-holding companies of financial groups	Accounting regulation

JUL	3	Adjustments to the integration of the audit committee, attending to the conformation of the board of directors, the management board, or the technical committee.	Development Banks (IBD), SOCAP, promotion bodies, and entities.	Accounting regulation
	1	Precision so that institutions issuing debt securities under their charge, or trust securities registered in the RNV, comply with the "General provisions referred in the articles 115 of the Credit Institutions Law (LIC) concerning the article 87-D of the General Law on Auxiliary Credit Activities and Organizations (LGOAAC) and 95-Bis, applicable to SOFOM" issued by the SHCP.	SOFOM E.R.	Improvement of regulations
AUG	1	Adjustments to allow flexibility in the actions related to the obligation to verify the identity of potential clients; extension of the deadline for the entry into force of the obligation to implement verification actions foreseen in the rule and the payment of the amounts corresponding to clients claims, for operations in which their identity is supplanted.	Credit institutions	Improvement of regulations
	1	Extension of deadline to comply with the duty of better execution, as well as to observe the obligation to notify institutions for the deposit of securities, the operations that they make with debt instruments, the definition of the client base that may contract the use direct electronic access channels.	Brokerage firms	Improvement of regulations
SEP	1	Precisions to the applicable regime in a matter of capitalization requirements for credit operations by concessionaires that have service provision contracts with agencies, federative entities, municipalities and their decentralized or deconcentrated agencies, as well as other public sector entities.	Credit institutions	Improvement of regulations
	1	Issuance of provisions applicable to the FTIs concerning the following matters: minimum capital, accounting and disclosure of financial information, valuation of assets, authorization to organize and operate as FTI, limits for the receipt and delivery of cash resources, as well as the transference of resources from or to foreign countries. Specifically, for the CFIs, the following regulation is included: resource limits that may be maintained on behalf of their clients; methodology and selection criteria of applicants and projects; obligations and commissions; business continuity plan; characteristics of the electronic proof on risk warning to be obtained from their clients.	FTI	Financial innovation
	1	Establishment of requirements and formalities for requests of information that federal administrative, judicial and tax authorities require through the CNBV to FTIs and companies authorized to operate with innovative models.	Multi-sectoral	Compliance with legal obligations
	1	Bases for the 2019 certification process in terms of AML/CTF.	Multi-sectoral	Compliance with legal obligations
OCT	1	Establishment of a minimum standard to maintain the leverage ratio of at least 3%, as a prudential measure.	Commercial banks	Improvement of regulations
	1	Granting, to companies declared in dissolution, liquidation or bankruptcy, of the possibility of being helped by other financial entities so that, through their offices or branches, negotiations are carried out for the payment of guaranteed obligations to the savers.	SOFIPO	Improvement of regulations
	1	Establishment of how the Commission should make the public aware of the sanctions it imposes for infractions of the Fintech Law.	Internal Regulation	Internal regulation
	1	Delegation to the President and other public officials of the CNBV, of the power to impose administrative sanctions for infractions of the Fintech Law; establishment of the power to sanction the participants in networks that contravene those established by the Law for Transparency and Regulation of Financial Services (LTOSF) and to general provisions issued jointly by the CNBV and Banxico.	Internal regulation	Internal regulation
NOV	9	Extension of the deadline for institutions to apply the provisions of various NIFs.	Credit institutions, brokerage firms, investment funds, SOFIPO, SOFINCO, OIFR, SOCAP, FND, clearing houses and liquidating partners, promotion bodies and entities, bonded warehouses, currency exchange offices, and credit unions.	Accounting regulation
	1	Strengthening the regulatory framework in a matter of information security, concerning the security of technological systems and infrastructure, as well as the reinforcement of the internal controls required to deal with risks and cyber-attacks.	Credit institutions	Improvement of regulations
	1	Incorporation of FTIs into the provisions relating to external audit services.	FTI	Accounting regulation
	1	Establishment of the possibility to request authorization from the Commission, to implement an auto-correction program, when irregularities or breaches of the Fintech Law are detected.	FTI and institutions authorized to operate with innovative models.	Compliance with legal obligations
DIC	1	The precision of the term and the way to inform the institutions for the deposit of securities, trading operations of securities in debt instruments.	Brokerage firms	Improvement of regulations
	1	Establishment of the procedure that must be observed to respond to requests of information and documentation formulated by tax, administrative, or judicial authorities through the CNBV.	FTI	Compliance with legal obligations

Issued provisions



In addition to the relevant modifications mentioned in the previous section, a summary of all provisions that the CNBV issued during 2018 is presented, according to the sector to which they are directed.

Credit institutions (commercial banks and development banks)

108th Resolution amending the CUB, published in the DOF on April 26, 2018

Regulations applicable to independent external audit services that credit institutions must contract were derogated; this was because they were included in a new regulatory ordering. In the same way, the technical qualities to be satisfied by members of the audit committee were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

109th Resolution amending the CUB, published in the DOF on May 11, 2018

Within the framework of the capitalization requirements applicable to credit institutions, the ratings issued by the new securities rating agencies were recognized.

112th Resolution amending the CUB, published in the DOF on August 29, 2018

To allow flexibility for credit institutions to verify the identity of their potential clients, the rules establishing this obligation were adjusted in terms of the technical requirements for capturing fingerprints and facial identification so that they can be considered as biometric data. Additionally, deadlines were extended for integrating their own biometric databases; for paying the amounts corresponding to claims filed by their clients for contracts entered into with persons other than the client; for resolving the origin of claims and for complying with the obligation to notify their clients about the contracting of products or services and the execution of operations. Also, some exceptions to the regulation applicable to the operations of IBDs and legal entities were performed.

113th Resolution amending the CUB, published in the DOF on September 4, 2018

The regime applicable to credit institutions in matters of capitalization, in the case of credit operations carried out by concessionaires that have contracts to provide services made with agencies, federative entities, municipalities and their decentralized or deconcentrated agencies, as well as other entities of the public sector, was defined; highlighting that the described financings have as guarantee, trusts with federal participations, so that the weighing of the assigned risk corresponds precisely to the coverage of such guarantees.

115th Resolution amending the CUB, published in the DOF on November 15, 2018

For credit institutions to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January 1, 2020.

116th Resolution amending the CUB, published in the DOF on November 27, 2018

The regulatory framework in terms of technological security applicable to credit institutions was strengthened, particularly concerning the security of the technological systems and infrastructures on which these institutions perform their operations; their internal controls were reinforced; it was also foreseen that greater attention must be paid to the care of confidentiality, integrity and availability of the information, for which reason they must have specific measures that tend to protect their information, provide a greater certainty to their operations, and allow the continuity of the services they provide.

Commercial Banks (IBM)

106th Resolution amending the CUB, published in the DOF on January 22, 2018

The formula for the calculation of the benefit for the constitution of capital requirements for operational risk of IBMs with a loan portfolio lower than 30 billion Udis, was specified to allow its proper application.

107th Resolution amending the CUB, published in the DOF on March 14, 2018

To incorporate off- balance-sheet accounts as part of the total assets and to adjust the definition of the indicator used for considering the value of the position in derivatives, the methodology used to designate the level of the systemic importance of the IBMs was specified.

110th Resolution amending the CUB, published in the DOF on June 26, 2018

The periods for delivering information that IBMs must submit to the CNBV regarding stress tests under supervisory scenarios, and the presentation of its results, were modified.

114th Resolution amending the CUB, published in the DOF on October 5, 2018

To maintain a minimum standard of the leverage ratio, a level of 3% as a prudential measure was established for IBMs.

Development Banks (IBD)

111th Resolution amending the CUB, published on July 23, 2018

Regarding the conformation of the board of directors of IBDs, adjustments to the integration of their audit committees were performed.

Holding and sub-holding companies of financial groups

General provisions applicable to the holding and sub-holding companies of financial groups regulating matters jointly dealt with by the national supervisory commissions, published in the DOF on June 29, 2018

A regulatory instrument was created that contains, the requirements to be met by firms and external auditors that provide external audit services for the financial statements of holding and sub-holding companies of financial groups, the applicable standards for carrying out external auditing work, the content of their reports, the rules regarding contracting, substitution, following-up and evaluation of work, as well as the functions that the audit committee of the companies will have concerning the work of the external auditor.

Financial technology institutions

General provisions applicable to the FTIs, issued in the DOF on September 10, 2018

The provisions were issued to which FTIs must be subjected concerning the following matters: the establishment of minimum capital; information and documentation to apply for authorization to be organized and operate as FTI; limits on the receipt and delivery of cash resources and transfer of resources; valuation of assets; accounting and disclosure of financial information.

Furthermore, regarding CFIs, the following points were regulated: resource limits that can be maintained on behalf of their clients; methodology and selection criteria of applicants and projects; electronic proof on risks, which must be obtained from their clients; obligations and commissions, as well as a business continuity plan.

Promotion bodies and entities

4th Resolution amending the General provisions applicable to promotion bodies and promotion entities (CUOEF), published on January 4, 2018

To incorporate the NIFs issued by Cinif, several accounting criteria were modified, establishing the term for their application. Additionally, the accounting criteria applicable to public funds and trusts constituted by the Federal Government for the economic promotion, which carry out financial activities referred to in article 3 of the LIC, Instituto del Fondo Nacional para el Consumo de los Trabajadores (Infonacot), Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Infonavit) and Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (Fovissste) were adjusted, so that they may cancel, in the period in which they occur, the surpluses in the balance of preventive estimates for loan risks, as well as to recognize the recovery of credits previously written-off against the heading preventive estimates for loan risks.

5th Resolution amending the CUOEF, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that public trusts constituted by the Federal Government for the economic promotion, which carry out financial activities referred to in article 3 of the LIC, Infonacot, Infonavit, and Fovissste, were derogated. This was because they were incorporated to a new regulatory ordering. In the same way, the technical qualities to be satisfied by members of the audit committee were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

6th Resolution amending the CUOEF, published in the DOF on July 23, 2018

Adjustments to the integration of the audit committee of promotion entities and bodies were performed.

7th Resolution amending the CUOEF, published in the DOF on November 15, 2018

For public trusts, constituted by the Federal Government for the economic promotion, which carry out financial activities referred to in article 3 of the LIC, Infonacot, Infonavit, and Fovissste, to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January the 1st, 2020.

National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development (FND)

4th Resolution amending the General provisions on prudential, accounting, and information requirements applicable to the FND, published in the DOF on January 4, 2018

To incorporate the NIFs issued by Cinif, several accounting criteria were modified, specifying the deadline for their application. Additionally, the accounting criteria applicable to the FND were adjusted, so that it can cancel, in the period in which they occur, the surpluses in the balance of preventive estimates for loan risks, as well as to recognize the recovery of credits previously written-off against the heading preventive estimates for loan risks.

5th Resolution amending the General provisions on prudential, accounting and information requirements applicable to the FND, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that the FND must contract were derogated, because they were incorporated into a new regulatory ordering.

6th Amending Resolution of the Resolution amending the General provisions on prudential, accounting, and information requirements applicable to the FND, published in the DOF on November 15, 2018

For the FND to be able to apply provisions of the NIFs, issued by the Cinif, relating to accounting criteria, the deadline was extended to January 1 2020.

Securities Issuers

34th Resolution amending the CUE, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that securities issuers must contract were derogated, since they were incorporated into a new regulatory ordering.

35th Resolution amending the CUE, published in the DOF on June 13, 2018

Foreign issuers were exempted from the obligation to make a takeover bid when they request the cancellation of their shares in the RNV and, simultaneously, obtain the listing of their shares in the International Quotation System of any stock exchange. Furthermore, the assumptions in which such issuers must constitute the corresponding trust derived from the request for cancellation of shares in the RNV were specified.

Brokerage firms

42nd Resolution amending the General provisions applicable to brokerage firms (CUCB), published in the DOF on January 4, 2018

To incorporate the NIFs issued by Cinif, several accounting criteria were modified, which established the deadline for their application.

43rd Resolution amending the CUCB, published in the DOF on April 10, 2018

The periods for delivering information that brokerage firms need to submit to the CNBV in the matter of stress tests under supervisory scenarios, and the presentation its results, were modified.

Moreover, for brokerage firms to be able to test their technological infrastructure tending to ensure its integrity, the term was extended to accredit before the CNBV that they are in the possibility to coordinate (directly or indirectly) transactions with securities negotiated on stock exchanges, as well as to enter into contracts with such exchanges.

44th Resolution amending the CUCB, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that brokerage firms must contract were derogated, due to the fact they were integrated into a new regulatory ordering. Likewise, the technical qualities to be satisfied by the members of the audit committee must meet were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

45th Resolution amending the CUCB, published in the DOF on May 11, 2018

Within the framework of the capitalization requirements applicable to brokerage firms, the new securities rating institutions were recognized.

46th Resolution amending the CUCB, published in the DOF on August 21, 2018

The regulation was adjusted to extend the term that brokerage firms have to comply with the duty of better execution, as well as to observe the obligation to notify the institution for the deposit of securities in which the securities are kept deposited, of the operations they carry out regarding securities that are debt instruments.

On the other hand, the period in which brokerage firms, following the instructions of their clients, may continue to send such orders to the stock exchange of their choice, was established, and if they are not in position to execute them, they must inform the CNBV and the client about the reasons of their refusal. Also, the client base that can contract the use of direct electronic access channels (CAEDs) with brokerage firms was broadened.

47th Resolution amending the CUCB, published in the DOF on November 15, 2018

For brokerage firms to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January 1 2020.

48th Resolution amending the CUCB, published in the DOF on December 12, 2018

The term and way in which brokerage firms will be obliged to inform the institutions for the deposit of securities, regarding trading operations of securities in debt instruments, were defined.

Investment funds

15th Resolution amending the General provisions applicable to investment funds and persons who provide services to them (CUFI), published in the DOF on January 4, 2018

To incorporate the NIFs issued by Cinif, several accounting criteria were modified, defining the deadline for their application.

16th Resolution amending the CUFI, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that investment fund operating companies, distributing companies of investment fund shares, and appraising companies for investment fund shares must contract were derogated because they were included in a new regulatory ordering.

17th Resolution amending the CUFI, published in the DOF on November 15, 2018

For investment funds, investment fund operating companies, and distributing companies of investment fund shares to be able to apply the provisions of the NIFs issued by Cinif, relating to accounting criteria, the deadline was extended to January 1, 2020.

Stock Exchanges

2nd Resolution amending the General provisions applicable to stock exchanges, published in the DOF on April 10, 2018

For stock exchanges to be able to test their technological infrastructure to guarantee its integrity, as well as the connections from the brokerage firms to it, the deadline for the conclusion of contracts with the brokerage firms was extended. This was also done for the communication and connection of the computing systems of the stock exchanges with the brokerage firms.

3rd Resolution amending the General provisions applicable to stock exchanges, published in the DOF on April 26, 2018

The regulations applicable to the independent external audit services that the stock exchanges must contract were derogated since they were included in a new regulatory ordering.

Institutions for the deposit of securities

1st Resolution amending the General provisions applicable to the deposit of securities, published in the DOF on April 26, 2018

The regulations applicable to the independent external audit services that the institutions for the deposit of securities must contract were derogated, this because they were integrated into a new regulatory ordering.

Popular savings and loan

20th Resolution amending the General provisions applicable to the popular savings and loan entities, integration bodies, SOFINCO and OIFR, to which the LACP refers (CUEACP), published in the DOF on January 23, 2018

To incorporate the NIFs issued by Cinif, several accounting criteria were modified, specifying the deadline for their application. Additionally, the accounting criteria applicable to the SOFIPO, SOFINCO with operating level I to IV and OIFR were adjusted. This was done so that they can cancel, in the period in which they occur, the surpluses in the balance of preventive estimates of loan risks, as well as to recognize the recovery of credits previously written-off against the heading preventive estimates for loan risks.

21st Resolution amending the CUEACP, published in the DOF on January 26, 2018

Additional requirements to be met by the members of the Savings Protection Committee were established, and the procedure to be followed for the payment of the guaranteed obligations was updated, if a SOFIPO or SOFINCO must be disappeared and liquidated or declared bankrupt.

22nd Resolution amending the CUEACP, published in the DOF on April 26, 2018

The regulations applicable to the independent external audit services that the SOFIPO, SOFINCO, and OIFR must contract were derogated, because they were included in a new regulatory ordering. Likewise, the technical qualities to be satisfied by the members of the audit committee must meet were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

23rd Resolution amending the CUEACP, published in the DOF on October 16, 2018

The SOFIPO that, on being declared in dissolution, liquidation, or when its mercantile insolvency has been decreed, were granted the possibility of being aided by other financial entities. Through their offices or branches, they perform the necessary steps for the payment of guaranteed obligations to their savers.

24th Resolution amending the CUEACP, published in the DOF on November 15, 2018

For SOFIPO, SOFINCO, with operating level I to IV, and OIFR to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January 1, 2020.

Savings and loan cooperatives

6th Resolution amending the General provisions applicable to the activities of the SOCAP (CUSOCAP), published in the DOF on January 23, 2018

To incorporate the NIFs issued by Cinif, different accounting criteria were modified, defining the deadline for their application. Additionally, the accounting criteria applicable to the SOCAPs with operating level I to IV were adjusted, so that they can cancel, in the period in which they occur, the surpluses in the balance of the preventive estimates for loan risks, as well as to recognize the recovery of credits previously written-off against the heading preventive estimates for loan risks.

7th Resolution amending the CUSOCAP, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that SOCAPs must contract were derogated. This because they were included in a new regulatory ordering. Likewise, the technical qualities to be satisfied by the members of the audit committee must meet were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

8th Resolution amending the CUSOCAP, published in the DOF on July 23, 2018

Regarding the conformation of the SOCAPs' board of directors, adjustments were made to the integration of their audit committees.

9th Resolution amending the CUSOCAP, published in the DOF on November 15, 2018

For SOCAPs with operating level I to IV to be able to apply the provisions of the NIFs, issued by Cinif and relating to accounting criteria, the deadline was extended to January 1 2020. The deadline to apply that established by the NIFs issued by the Cinif, related to accounting criteria was extended.

28th Resolution amending the General provisions applicable to bonded warehouses, currency exchanges offices, credit unions, and SOFOM E.R. (CUIFE), published in the DOF on January 23, 2018

To incorporate the NIFs issued by Cinif, different accounting criteria were modified, defining the deadline for its application. Additionally, the accounting criteria applicable to bonded warehouses and credit unions were adjusted, so they are can cancel, in the period in which they occur, the surpluses in the balance of preventive estimates of loan risks, as well as to recognize the recovery of credits previously written-off against the heading preventive estimates for loan risks.

29th Resolution amending the CUIFE, published in the DOF on April 26, 2018

The regulations applicable to independent external audit services that bonded warehouses, currency exchange offices, credit unions and SOFOM E.R. must contract were derogated, since they were included in a new regulatory ordering. Likewise, the technical qualities to be satisfied by the members of the audit committee must meet were foreseen, to specify that the selection of its members must be made taking into account their knowledge and experience in subjects such as accounting, auditing, internal control, as well as those related to the business itself.

30th Resolution amending the CUIFE, published in the DOF on July 23, 2018

For the SOFOM E.R. that issue debt securities under their charge, registered in the RNV or, in the case of trust securities also registered in the Registry mentioned above, when the compliance with the obligations concerning the securities issued under the trust, depend totally or partly on said company, acting as a trustor, assignor or administrator of the trust property, or as guarantor of the securities mentioned above, it was specified that they must be subject to what is established by the "General provisions referred to in articles 115 of the LIC, concerning the article 87-D of the LGOAAC and 95-Bis of this last ordering, applicable to SOFOM", issued by the SHCP.

31st Resolution amending the CUIFE, published on November 15, 2018

For bonded warehouses, currency exchange offices and credit unions to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January 1 2020.

Participants in the derivatives market

4th Resolution amending the General provisions that established the accounting criteria to which the participants in the derivative contract market will be subjected, published in the DOF on January 4, 2018

To incorporate the NIFs issued by Cinif, different accounting criteria were modified, establishing the deadline for their application.

5th Amending Resolution of the Resolution amending the General provisions that establish the accounting criteria to which the participants in the derivative contract market will be subject, published in the DOF on November 15, 2018

For clearing houses and settlement partners to be able to apply the provisions of the NIFs, issued by Cinif, relating to accounting criteria, the deadline was extended to January 1, 2020.



General provisions applicable to the entities and issuers supervised by the CNBV, which contract external audit services of basic financial statements, published in the DOF on April 26, 2018

To improve the quality of audit services contracted by financial institutions and persons subject to the supervision of the Commission, a single regulatory instrument was created that concentrates the legal precepts related to the external audit of basic financial statements, establishing the requirements to be met by firms and the external auditors that provide external audit services for the financial statements for regulated entities and companies; the rules applicable to the performance of external audit work and the content of its reports; the rules in matter of hiring, replacement, monitoring and evaluation of the work of the external audit, as well as the functions of the audit committee with relation to such services.

1st Resolution amending the General provisions applicable to the entities and issuers supervised by the CNBV, which contract external audit services of basic financial statements, published in the DOF on November 15, 2018

The FTIs were included in the provisions, so that they have quality in the external audit services that they contract.

2nd Resolution amending the General provisions applicable to the entities and persons to whom the articles 3, clauses IV, V, VI, VII and VIII, and 4, clause XXX of the National Banking and Securities Commission Law are referred, published in the DOF on April 12, 2018

For all procedures and promotions carried out before the CNBV, the requirement to submit a copy of the Unique Population Registry Key (CURP) of the person or persons promoting them was eliminated.

General provisions applicable to the utilization of the electronic system of authorizations for the organization, operation and functioning of entities (SEAO), published in the DOF on April 12, 2018

The use and operation of the technological tool named SEAO were regulated, as an option to perform the procedures for requesting authorization for the organization, operation and functioning of financial entities, through electronic means.

3rd Resolution amending the General provisions applicable to the information requirements made by the authorities to which articles 142 of LIC, 34 of LACP, 44 of the Credit Union Law (LUC), 69 of the Law to Regulate the Activities of Savings and Loan Cooperatives (LRASCAP) and 55 of the Investment Funds Law (LFI) are referred, issued in the DOF on September 4, 2018

The requirements and formalities that must be met by requests for information that the administrative, judicial and federal tax authorities require from the FTIs and companies authorized to operate with innovative models, through the CNBV, were established.

1st Resolution amending the Call for the certification in terms of AML/CTF, published in the DOF on June 28, 2018

The deadline for the registration and submission of the application for a certificate in matter of prevention of operations with resources of illicit origin was extended.

Call for the certification in terms of AML/CTF, issued in the DOF on September 19, 2018

Concerning the certification of independent external auditors, compliance officers, and other professionals in terms of AML/CTF, the bases and dates in which the exams will be carried out during 2019 were announced.

1st Resolution amending the General provisions that regulate auto-correction programs, published in the DOF on November 28, 2018

For the FTIs and companies authorized to operate with innovative models, the possibility was established of submitting an auto-correction program to the authorization of the CNBV, when irregularities or non-compliance with the Fintech Law or its provisions were detected.

4th Resolution amending the General provisions that establish the procedure for the attention of the information and documentation requirements that the competent authorities make to the financial institutions subject to the supervision of the CNBV, through the latter, published in the DOF on December 13, 2018

For FTIs to provide attention to the information and documentation requirements that tax, administrative, or judicial authorities formulate through the CNBV, the procedure to be observed was established.

3rd Resolution amending the Agreement by which the Board of Governors of the CNBV delegates to the President, Legal Vice-president, General Director of Offences and Sanctions and, Deputy General Directors of Administrative Sanctions A, B and C of the Commission, the power to impose administrative sanctions, published in the DOF on April 25, 2018

Under the Securities Market Law (LMV) and the LGOAAC, which empower the Commission to cancel registrations granted to currency exchange centers, money transfer companies and investment advisors, when any of the assumptions established in such laws are updated, and taking into account that the cancellation of the registration is the maximum sanction that can be imposed, such power was expressly delegated to the President and other public officers of the CNBV.

4th Resolution amending the Agreement by which the Board of Governors of the CNBV delegates to the President, Legal Vice-president, General Director of Offences and Sanctions and, Deputy General Directors of Administrative Sanctions A, B and C of the Commission, the power to impose administrative sanctions, published in the DOF on October 19, 2018

The President and other public officers of the CNBV were delegated the power to impose administrative sanctions for infractions referred to in the Fintech Law or its provisions; also to admonish the offender in accordance to that established in the law mentioned above, as well as to sanction the participants in networks that contravene the provisions of the LTOSF and the general provisions issued jointly by the Commission and Banxico.

2nd Resolution amending the Guidelines for the disclosure of sanctions imposed by the CNBV, published in the DOF on October 4, 2018

It was announced how the CNBV should communicate to the public the sanctions it imposes for infractions of the Fintech Law or the emanating from it.

2.4

Regulation issued with the opinion of the CNBV

Modifications to the General provisions establishing the investment regime to which the specialized retirement fund investment companies must be subject, published in the DOF on July 18, 2018

For basic investment companies, 1 to 4, it was intended that they could acquire optional shares attached to representative shares of a private company, in the case of equity securities instruments.

Additionally, the IPC CompMX index was eliminated, as the only provider of the weighting of the maximum limit of investment in individual shares of national issuers that can be acquired by retirement fund managers. This way, the investment committees of such investment companies specialized in retirement funds decide the index of national instruments should be used as reference for the determination of such maximum limits of investment, according to their investment strategy.

To change from 97.5% to 90%, the percentage of conformation of companies supervised by any authority of the countries eligible for investment, when the specialized investment companies of retirement funds intend to invest in direct indexes or through derivatives, the Annex M of the provisions was modified.



3.

SUPERVISION

3.1 Introduction

A substantive role of the CNBV is the supervision of the entities that make up the Financial System in Mexico, as well as of individuals and legal entities when they carry out activities contemplated in the applicable laws within the scope of its competence. This is a fundamental task to ensure the stability of the financial system in order to promote its healthy development and proper functioning.

In the following sections, the most relevant topics and activities of 2018 are exposed, which stand out due to the effort and resources that have been devoted to the supervisory activities, as well as the most important initiatives that have strengthened such process to make it more and more efficient.

Finally, there will be an update on the tasks of substantive, specialized, and support supervision, anti-money laundering, market behavior, and research visits

3.2 Entities supervised by the CNBV

At year-end 2018, the CNBV supervised 4,898 entities grouped into 71 legal figures. From this universe of entities, 2,241 were subject to comprehensive supervision, while 2,657 were subject exclusively to supervision in the matter of AML/CTF.³

The conformation of the financial system sectors is dynamic. The updated information on the supervised entities can be consulted on the CNBV's website through the Supervised Entities Registry (PES).

Sector	Number of operating entities
Entities supervised in a comprehensive manner	2,241
Holding companies of financial groups	21
IBMs	50
IBDs and Promotion Entities	16
SOFOM E.R.	46
Auxiliary Credit Activities and Organizations (OAACs)	23
Credit unions	83
SOCAPs	156
SOFIPOs	39
Other entities of the popular savings and loan sector ¹	7
Brokerage firms	35
Investment funds	692
Securities rating agencies	6
Issuers	650
Stock exchanges and derivative contract exchanges	3
Central counterparties	2
Institutions for the deposit of securities	1
Other participants of the securities and derivatives markets ²	61
Participants in relevant payment system networks	127
Credit information bureaus (SICs)	3
Investment advisors	114
Other supervised entities ³	106
Entities subject to AML/CTF supervision only	2,657
Non-regulated Multi-purpose Financing Companies (SOFOM E.N.R.) ⁴	1,646
Currency exchange centers	967
Money transfer companies	44
Total	4,898

Notes:

1/ Federations of popular savings and loan institutions, Auxiliary Supervision Fund of SOCAP and for Protection of their Savers (Focoop), Protection Fund of SOFIPO and for Protection to their Savers (Prosofipo) and SOFINCO.

2/ Markers of the derivatives market, operators participating in the derivatives market, liquidating partners participating in the derivatives market, self-regulatory bodies of the stock market, companies that manage systems to facilitate transactions with securities and price providers.

3/ Representative offices and agencies of foreign banks, representative offices of brokerage firms, companies of complementary or affiliated services (financial groups, banking, auxiliary organizations and brokerage firms), and real estate brokers (banking and brokerage firms).

4/ The number of SOFOM E.N.R. supervised by the CNBV was determined based on the information displayed on the CONDUSEF website, regarding entities that were renewed or registered, in accordance with the LGOAAC. This figure differs from that contained in CONDUSEF's Financial Service Providers Registration System (Spires), which is currently in the process of removing of entities based on registration cancellations.

Source: CNBV, with information updated in April 2019.

3/ Currency exchange centers, money transfer companies and SOFOM E.N.R. subject to supervision exclusively in respect of compliance with the provisions referred to in article 95 bis of the LGOAAC and the resulting general provisions.



Relevant topics of the year

IBM capital adequacy assessment 2018 – 2020

Since the financial crisis in 2008, the decision was made to conduct stress tests to assess the resilience of the banking system, in line with best practices proposed by international bodies such as the Basel Committee.

In 2018, the CNBV continued to carry out the annual capital adequacy assessment (ESC) exercises, in order to ensure that the IBMs have an adequate level of capital at all times, as well as the strategies to enable them to remain within their desired risk profile.

In order to enable institutions to identify their vulnerabilities, the assessment considers scenarios molded by the institutions, according to their own economic and business expectations (internal scenarios (ESC-EI)), as well as scenarios defined by this Commission (supervisory scenarios (ESC-ES)), based on the estimates of macroeconomic and financial behavior for the period of 2018-2020.

In this exercise, for the ESC-ES, some changes were made this year with respect to the previous ones, such as 1) adding new rules to stress income from off-balance-sheet assets, including restrictions on their growth; 2) broadening the scope of the exercise to assess exposure to liquidity risk: funding structure, CCL and net stable financing ratio (CFEN); and 3) requesting information related to cybersecurity.

The review determined that if the assumptions used by the entity materialized, nine IBMs could present capital shortages according to their desired risk profile. For this reason, they were requested a preventive action plan (PAP), or a capitalization plan (PC), according to the case.⁴

It should be noted that according to an agreement made between the Mexican Banks Association (ABM) and the CNBV on December 2018 and January 2019, an extension of the deadlines for the delivery of the final projections of the ESC 2018-2020 was performed.

Revision of the update of contingency plans

In 2018 and accordance with article 172 Bis 38 clause I of the CUB, the updates to the contingency plans of the seven entities of local systemic importance, which provided this information prior to March 2018, as well as sixteen additional entities, in accordance with the calendar issued by the CNBV, in compliance with the clause II of the same ordering, were reviewed.

Additionally, the contingency plans of four entities that began operations in 2018 are in the process of authorization; that of an institution that was recently acquired by a financial group; and that of other that was granted the corresponding approval to begin operations in January 2019 was approved. This is because the recently created IBMs are obliged to submit the referred plans within two months after obtaining the corresponding authorization.

The revised plans contain the set of actions that institutions must carry out to restore their financial situation in the face of adverse scenarios that could affect their solvency or liquidity, which were authorized by this body, following the opinion of the SHCP, Banxico and the Institute for the Protection of Bank Savings (IPAB).

4/ A PAP is requested when, as a result of the ESC-ES, it is concluded that a bank presents insufficiencies in its capitalization index (ICAP), during the term contemplated in their projections, in such way that it cannot be classified in category I, according to that established in Art. 220 of the CUB. In the elaboration of said plan, among other aspects, the origin and terms in which the resources that allow the estimated losses to be covered would be deposited to the entity, must be identified

Banks are required to have a PC in order to cover the risk generated when, as a result of the ESC-EI, capital shortages are observed. The PCs should contain the actions that the involved institution should promote in order for its ICAP to comply with the parameters established in the corresponding desired risk profile.

Evaluation and monitoring of the liquidity indicators

The international financial crisis of 2008 enhanced the importance of adequately managing liquidity risk; thus, the BCBS issued two quantitative requirements of liquidity: the CCL and the CFEN.

The objective of the CCL is for institutions to have sufficient liquid assets to face a 30-day liquidity stress period, while the CFEN monitors the profile of liability maturities so that it is adequate to the institution's assets structure.

During 2018, the process of implementing the calculation of the daily CCL for the IBMs was followed up, which became fully effective (including the liquidity early warning scheme) as of January 1, 2018.

It should be noted that in 2018, only six banks failed to comply with the required CCL according to the General provisions on liquidity requirements for IBMs, as they were located at levels below the minimum required. For this reason, the Commission performed the acts of authority, in accordance with its powers, to resolve such deviations.

On the other hand, in accordance with the provisions referred above, issued jointly by Banxico and the CNBV, the minimum levels of CCL to which the IBMs are subject will gradually increase until they reach the minimum limit of 100%, which will be applicable to them according to their portfolio volume⁵:

- **Group 1.** From January 1, 2019.
- **Group 2.** From July 1, 2019.
- **Group 3.** From January 1, 2020.
- **Group 4.** 60 months, from the date on which they began operations.

In the case of the CFEN, during 2018, the generation processes of the IBMs were revised, and the preliminary calculation of the indicator performed by them was monitored, while the corresponding provisions are issued.

Implementation of the provisions to prevent identity theft

By an amending resolution to the CUB, dated August 17, 2017, the CNBV issued provisions on the identification and performance of face-to-face operations by the banking clients, establishing that, as of January 1, 2019, banks must comply with them.

However, derived from several dealings with ABM, on August 29, 2018, the CNBV published an amendment to the aforementioned provisions, which established an alternative for banks to start identifying their clients from March 2020; provided that, by December 14, 2018, at the latest, they submitted for Commission approval a work plan specifying the intention to join the creation of a fingerprint database proposed by ABM.

In October 2018, the CNBV informed the banks of the minimum points to be included in the plan, should they decide on this alternative.

In that sense, at the end of the year, 31 work plans were received for analysis and, if applicable, approval in 2019, to be followed by IBMs to develop mechanisms to verify the identification and performance of face-to-face operations through biometric data. It is important to point out that two banks will implement the provisions as of January 1, 2019, and it is not applicable to ten banks, derived from the fact that in their current business and operation plan, they do not carry out operations with individuals.

5/ Groups constituted according to the volume of the IBM loan portfolio.

Guidelines for strengthening and consolidating the popular finance sector

As part of the ongoing effort to provide greater certainty to the financial stability of the popular finance sector, including the protection of the savers' interests, actions were taken to improve the regulatory framework of the societies.

In addition, mechanisms have been established that include the collaboration of other bodies such as SOFIPO, SOCAP and credit unions associations, as well as Prosofipo and Focoop, among others.

In the same way, supervision was strengthened through the development of new analysis tools; and the consolidation of the sector has been sought through alternatives for the strengthening or orderly exit of entities.

The most relevant results by sector are presented below:

Credit unions

- Because of the consolidation process in this sector, the number of entities in operation decreased from 88 at the end of 2017, to 83 at the end of 2018.
- During the reported year, two entities became SOFOM E.N.R., and three were revoked.

SOCAP

- The process of regularization of the sector was concluded, dealing with all the requests submitted by the entities operating under the transitional regime provided for in LRASCAP, so that the sector authorized and supervised by the CNBV is composed of 157 companies.
- During 2018, authorizations of two SOCAPs were revoked, and authorizations of two more were canceled due to the completion of the merger process with other authorized companies.
- Similarly, four companies were authorized to continue to carry out savings and loan operations under the terms of LRASCAP.

SOFIPO

- During 2018, the authorizations of five companies were revoked, three of which did not carry out operations and two for various breaches of the legal and regulatory framework.
- Likewise, two SOFIPO have capital restoration plans approved by federations in charge of their auxiliary supervision, which are followed up.
- These actions, together with the revision of the capital acquisition requests by new investors, seek to consolidate the sector in such a way as to have more solid and solvent intermediaries, always seeking to protect the interests of the public.
- Derived from the actions to consolidate the sector, the number of SOFIPO decreased from 44 in December 2017, to 39 companies at the end of 2018.

Indicators and analysis methodologies for the SOFIPO sector, with a standard similar to that of banks

In order to compare the results of the solvency, liquidity and balance sheet risk indicators that are calculated in accordance with the provisions governing the SOFIPO sector, against the metrics applicable to the banking sector, a standardization was carried out consisting of the recalculation of financial indicators and analysis methodologies, with a standard similar to that of banks.

With this, supervisors have additional analysis tools that allow them to monitor the risks and financial situation of the entities, in addition to the indicators and methodologies they already had.

In order to provide supervisors with new tools that allow them to know in a more detailed and comprehensive way the behavior of SOFIPO, under a preventive risk approach, the following actions were carried out:

- From the information of the regulatory reports of the CNBV, diverse methodologies and risk analysis were constructed, such as ICAP, CCL, CFEN, early warnings, and stress tests adjusted to the operation and SOFIPO information. Adjustments were also made to the methodologies and models for calculating loan risk, market risk, liquidity risk, and operational risk of credit institutions.
- Methodological notes were developed for the financial analysis, which includes the following sections: introduction, considerations and assumptions, development, calculation of a mathematical model, and base example of the case.
- Optimized information views were developed, which allow access to the data stored in the internal information exploitation databases.

IBD 2018 capital adequacy assessment

IBDs and promotion bodies and entities carried out a stress exercise whose results indicated that they maintain an adequate level of capital, which allows them to cover the potential losses that could materialize in a scenario with adverse macroeconomic and financial conditions.

IBDs are well-capitalized and their profitability is above the break-even point, so growth targets of around 10% are expected to be maintained for the following years.

The system of internal control and corporate governance is, in most cases, consolidated, and the IBDs reasonably comply with the regulations. Control, risk management, and auditing activities are generally adequate.

In no case does the level of capital fall below the regulatory minimum.



Normalization of the connection and operation of the Interbank Electronic Payments System (SPEI)

During the year, some IBDs faced operational contingencies in the area of cybersecurity, a situation that also affected several IBMs. In this regard, the impact of such contingencies was evaluated; the recovery and business continuity process were followed up, and the instrumentation of control and prevention measures was verified.

Additionally, an investigation visit was made to an IBD due to the operative contingency to the International Payments System (Society for Worldwide Interbank Financial Telecommunication, SWIFT).

Cybersecurity incidents follow-up

During 2018, important incidents of information security were processed, in which attacks against the main payment systems in the country (SPEI and SWIFT) affected several financial institutions.

These events evidenced that the national financial system is not immune to cyber threats, demonstrating that cybercrime is becoming increasingly organized, specialized, and globalized.

Faced with the incidents presented, the CNBV followed up on the actions of identification, containment, and remediation of the vulnerabilities that originated the attacks.

Participation in groups to combat cyber fraud

Starting in 2018, CNBV and Banxico staff have been meeting monthly with members of the ABM Cybersecurity Committee and PGR's Cyber Investigations and Technological Operations Unit in order to exchange experiences, methodologies and action frameworks.

These meetings present the results of the analysis malware⁶ samples submitted to the Commission by the different institutions; share relevant data on the modus operandi of frauds perpetrated, as well as recommendations and actions to prevent new occurrences of incidents. This committee tries to privilege the collaboration and the agile and unrestricted exchange of technical information necessary to contain cyber-attacks and to protect the financial system, watching over the secrecy of the shared information.

Response Group to Sensible Incidents of Information Security

On May 24, 2018, the Coordination Bases on Information Security were signed, in order to implement the Principles for the Strengthening of the Cybersecurity for the stability of the Mexican Financial System⁷. In this act, the signatories of the aforementioned principles, established the Response Group to Sensible Incidents of Information Security (GRI), as a permanent mechanism that allows, in a coordinated and collaborative manner, to identify, communicate and respond to possible cybersecurity incidents.

The above is aligned to the National Cybersecurity Strategy, published in November 2017, in order to strengthen the actions in this area, through the participation of the financial system in the development of five strategic objectives and eight cross-cut axes in the protection of infrastructures critical for the national security. In this sense, the Cybersecurity Sub-commission was created, of which the CNBV is a guest member. The CNBV's role is to articulate efforts and promote participation and institutional strengthening in this area.

6/ Malicious software.

7/ Signed in October 2017 by the CNBV, SHCP, Banxico, and other financial authorities, PGR (now Federal Prosecutor of Mexico (FGR)) and representatives of the supervised entities.

Response Group to Sensible Incidents of Information Security



On June 14, 2018, the members of the Mexican Financial System Stability Board (CESF) adhered to the Principles for Strengthening Information Security in the Mexican Financial System, seeking to maintain effective coordination among financial authorities.

Within this framework, the CNBV, Banxico and other authorities have worked to detail the protocols for action in the event of incidents, to develop mechanisms for the secure and agile exchange of information, as well as management frameworks to be considered in the elaboration of regulations and supervisory practices, within the scope of their respective competences.

Updating of information security regulation

The CNBV continues with the process of updating the regulation and supervision regarding information security, highlighting the incorporation of a section in the CUB that meets the needs of institutions in this area, thereby ensuring the confidentiality, integrity, and availability of information.

Among the changes incorporated in this regulation is the inclusion of responsibilities of the general director of the institution for 1) implementation of the internal control system for information security, 2) approval of the Security Master Plan, which integrates and prioritizes information security projects, 3) establishment of automated intrusion identification and prevention tools, 4) integration of an internal security incident response team with well-defined protocols, 5) securing and authenticating risk transactions from entry to execution, 6) updating incident databases for correlation and early identification of intrusions, 7) preparation of an annual calendar for scanning tests of vulnerabilities of the components of the technological infrastructure, and follow up on the results of these tests, 8) implementation of comprehensive human resource controls to ensure confidentiality, integrity, and availability of information and 9) communication of relevant information security incidents to the Commission.

In addition, the figure of the chief information security officer (CISO) is formalized, who must report directly to the general director, and will be responsible for implementing the regulation, among other activities. As part of his duties, he is responsible for managing information security alerts communicated by the CNBV, as well as incidents in this area.

Projects with international organizations

The CNBV, with the support of funds from international organizations, began various projects in mid-2018, to strength actions related to increasing of the cyber-resilience of the financial system:

- Development of an Information Security Reference Framework, in collaboration with the Organization of American States (OAS). This framework aims to increase the control and resilience of organizations facing

information security risks by defining multiple models, tools, processes, plans, and strategies, which together serve as a guide for establishing comprehensive risk management in the matter.

- Design of a coordination and collaboration platform for alerting and responding to cybersecurity incidents. The project is sponsored with funds from the United Kingdom through the OAS. This platform seeks to establish communication, alert and notification mechanisms among the different institutions of the financial system, as well as the guidelines for evaluation criteria and event reporting, with the objective to have clear, timely and real-time communication on the different threats, events, and incidents that could affect financial institutions.
- Carrying out of two surveys⁸ to evaluate the maturity level of the financial entities, in order to have a diagnosis of the situation of the financial system in practices of information security and cyber-resilience. The results will be presented in the first half of 2019.

AML/CTF supervisory actions

The CNBV supervises the AML/CTF prevention regime of financial institutions and other compelled subjects such as SOFOM E.N.R., currency exchange centers, and money transfer companies, in accordance with the established in the financial laws and general provisions derived therefrom. During 2018, the CNBV implemented measures to ensure more effective supervision in the area of AML/CTF prevention. The main ones are listed below:

Suptech AML/CTF R²A

The CNBV is in the process of incorporating innovative mechanisms to achieve effective risk-based supervision (SBR). In this context, the CNBV has stood out as an international pioneer in the implementation of best supervisory practices and seeks to remain at the forefront of the implementation of international Suptech supervisory standards to maintain its leadership.

The term Suptech refers to the use of innovative technology by supervisory authorities to support their functions, through process automation and information analysis, in order to make supervision more proactive to risk. Suptech has been used by other banking supervisors to extract, validate and consolidate data directly from the systems of financial entities, as well as for risk detection, verification of compliance with regulatory obligations, and projection of information through dashboards.

With the development of a Suptech platform, it will be possible to automate manual processes through data aggregation or collection and, therefore, streamline administrative and operational procedures, allowing more time analysis activities.

In this context, work was done on the RegTech for Regulators Accelerator (R2A) project, sponsored by the United States Agency for International Development (USAID), the Rockefeller Philanthropy Advisors foundation and the Omidyar Network, with the aim of promoting the generation of new tools and technics to support AML/CTF supervisory activities.

During 2018, a prototype was developed to receive operational information (client and operation databases, alerts, reports) collected during inspection visits, and its validation through the APIs; also four reconciliation procedures were elaborated. This will allow for more efficient supervision, given the data review will be more agile.

Once this tool is incorporated into the supervision processes, through an automatic learning process (machine learning), risk patterns can be identified in an automated way, based on the perception of the supervisor and atypical scenarios. This will support the formulation of recommendations, the optimization of the warning systems of the institutions, and the realization of comparative analyses with the corresponding sector. Reports may also be generated for the supervision and development of AML/CTF prevention policies.

8/ 1) Applied by the OAS, aimed at institutions and clients, and 2) carried out by the Inter-American Development Bank (IDB) with a more technical approach.

A follow-up to the recommendations of the Financial Action Task Force (FATF)

The FATF is an intergovernmental body that issues AML/CTF prevention recommendations and conducts ongoing reviews among member countries to assess levels of implementation. These assessments provide a detailed description and analysis of each country's system to prevent, among other issues, the use of the financial system to commit illicit activities. .

Mexico was evaluated by the agency in the period from March 2016 to March 2017. In January 2018, FATF published the evaluation report, which identifies the degree of compliance of our country.

Significant progress was made in the reporting period in technical compliance with FATF recommendations, as well as in improving the effectiveness of the CNBV's AML/CTF prevention actions. These advances will be presented at the next FATF plenary session, among which the following stand out:

- In March 2018: 1) the financial entities were informed the AML/CTF prevention inspection guidelines, which were drawn up with a view to promoting a greater understanding of the risks to which the entities are exposed (included financing of terrorism, corruption, and identification of the final beneficiary), as well as so that the compelled subjects are more precisely aware of the procedures and elements subject to supervision; and 2) a working group was formed with all authorities⁹ involved to follow up on the findings and recommendations made by the FATF.

In addition, supervisory procedures are being adjusted in accordance with the aforementioned guidelines so that from January 2019, they will be applied in the AML/CTF prevention reviews.

- In April 2018, the new criteria for the imposition of sanctions by the Sanctions Committee were approved in order to make the CNBV's sanctions on AML/CTF prevention exemplary, proportionate and dissuasive.
- During the year, forums and workshops were organized with the supervised subjects, internal and external auditors, and trade associations, in order to provide continuity to the dissemination actions for the implementation of a robust and complete risk-based approach (RBA) methodology, in accordance with the procedures and elements subject to supervision.
- A guide was issued to prevent the financing of terrorism, as well as a guide to prevent and detect money-laundering operations in the financial system derived from acts of corruption.
- In the second half of 2018, together with the SHCP's Banking, Securities and Savings Unit (UBVA), work was done on the project to reform the General provisions applicable to the financial entities, currency exchange offices, money transfer companies, and investment advisors. .

The modifications seek to achieve symmetry with the regime intended in the provisions of the Fintech Law, as well as to comply with observations made by the FATF, among which stand out: 1) suspend the beginning of the contractual relation (onboarding) of a client, when it is suspected that the resources have illicit origin and, 2) replace the face-to-face interview with forms to be filled in by the client, in the event of open accounts or contracts entered into a non-physical manner.

Consolidation of the SBR and the Supervisory Technological Platform (PTS)

In 2018, various efforts were consolidated to direct supervision towards a risk-based approach in order to achieve effective monitoring of the financial system entities, as well as their mitigation mechanisms. This modification in the supervisory approach, from compliance to risk-based, began in 2014 and has involved the redesign of methodologies, procedures, and the supervisory vision.

With the above, more strategic and preventive supervision has been achieved, which makes it possible to prioritize those areas and institutions with greater vulnerabilities, or which represent a greater individual or systemic risk.

During 2018, the following tools were developed and improved:

9/ Financial Intelligence Unit (UIF), UBVA, CONSAR, CNSF.

- Re-engineering, improvement, and development of procedures for the popular finance, credit unions, and SIC sectors, as well as for AML/CTF.
- The second stage of redesign of the procedures of credit institutions (IBM and IBD), which include dynamic analysis of the risk mitigants, allowing an improvement in the evaluation of the effectiveness of processes and controls of such entities.
- Automatization in the PTS of the CEFER matrix and the Institutional Report (RI) for the credit unions, bonded warehouses, and popular finance sectors.
- Updating of the PTS to consolidate the registry and monitoring of the comprehensive supervision process, as well as the development of a module to carry out notifications electronically to the supervised financial entities.

Strengthening supervision for the prevention and detection of financial crime

In the reporting period, the CNBV implemented a comprehensive strategy for the prevention and detection of financial crimes in order to affect the general public by the improper disposal of its resources, as well as monetary losses and reputational damages for financial institutions and authorities.

Strategy and tool development

In 2018, financial crime prevention and detection procedures were developed for the supervision of IBM, IBD, SOCAP, SOFIPO, credit unions, and brokerage firms sectors, based on the identification of weaknesses in the operating processes and internal controls, the IBMs alert systems, as well as the typologies of the common financial crimes at national and international level.

The developed procedures include the following topics: 1) corporate governance, 2) internal control, 3) credit process, 4) trusts and mandates, 5) guarantees and collection rights, 6) capital integration and accounting confirmations, 7) branch fraud, 8) promoter fraud, 9) credit bureau and 10) complaints handling. With respect to securities issuers, a risky issuance matrix was developed, as well as the corresponding supervision strategy.

In addition, in order to strengthen surveillance work, operational, financial, and social media alerts were defined to help identify possible financial crimes in the entities, as well as vulnerable channels.

This forms the basis of a supervisory strategy that links the following:

- Results of inspection and monitoring: application of procedures in inspection visits; results of operational and financial indicators; complaints and grievances at IBM; and information of social media.
- Scheduling of visits and definition of supervisory priorities.
- Establishment of the Analysis Group for Prevention and Detection of Financial Crimes, with the aim of following up on supervisory and legal actions, as well as for the analysis of elements required for the opinion of a crime. This group is composed of the areas of supervision, supervision of preventive processes, legal, analysis and information, and methods and processes of supervision.

Implementation of the strategy in 2018

In 2018, inspection visits were made to thirteen entities for the application of the developed procedures: ten IBMs, one SOCAP, and two brokerage firms carrying out the corresponding acts of authority.

As a result of the visits, observations and recommendations were issued, and authority act will be determined to correct the weaknesses detected in the internal control systems, as well as in various processes, such as warning systems, trust, credit, electronic banking, promotion activities, guarantees, and accounting.

The strategy implemented for the prevention and detection of financial crimes has allowed strengthening supervision with a specific focus in this matter, through the timely follow-up of deviations and irregularities that could represent an assumption of financial crime.

3.4 Supervisory Actions

3.4.1. Supervision follow-up

In 2018, 350 ordinary visits were scheduled, from which 334 were carried out; for reasons beyond the control of the CNBV, sixteen visits were canceled, particularly for lack of elements to supervise. In addition, 84 investigative visits and 23 special visits were carried out, making a total of 441 visits.

By type of entity, SOCAPs, currency exchange centers, and IBMs were visited to a greater extent, with 41.04% of visits of the period (Appendix A. Visits).

On the total number of visits performed, 84% were made to entities under comprehensive supervision, and 16% to the entities subject exclusively to AML/CTF prevention supervision. During some visits, specialized reviews were also carried out in the following areas: sales practices, operational and technological risk, as well as prevention and detection of financial crimes.

Derived from the visits and monitoring processes that were concluded during the year, the CNBV issued 96,806 observations and recommendations and instructed 3,990 corrective actions (Appendix B, Observations, recommendations, and corrective measures).

It is worth mentioning that the entities subject to supervision exclusively in terms of AML/CTF prevention account for 92.3% of the total observations and recommendations issued. This is explained by a high number of observations related to deficiencies in the AML/CTF Prevention Compliance Manual or omissions in its preparation and submission, as well as to recommendations related to the results of internal audit review or by an independent auditor.

3.4.2. Substantive supervision

As part of the permanent responsibility of supervising the entities and persons that make up the financial system during the year, various supervision and monitoring activities were carried out in order to ensure the stability and proper functioning of the entities in the protection of the public interest.

3.4.2.1. Commercial banks

Composition of the sector and current situation

2018 was marked by a complex economic, financial and political environment in Mexico, as a result of relevant events, both internal (mainly the presidential and legislative elections held in July), and external (highlighting the renewal

process of the North American Free Trade Agreement (NAFTA), the trade war initiated between the world's major economic powers and the growing signs of deceleration in the world economic activity), which exerted pressure on the performance of our economy.

Nevertheless, during the reporting period, the Mexican banking sector performed positively in general terms and ended the year with financial, capital, and liquidity strength. This allowed the banking system to face the opportunities and challenges associated that the current situation of the sector entails.

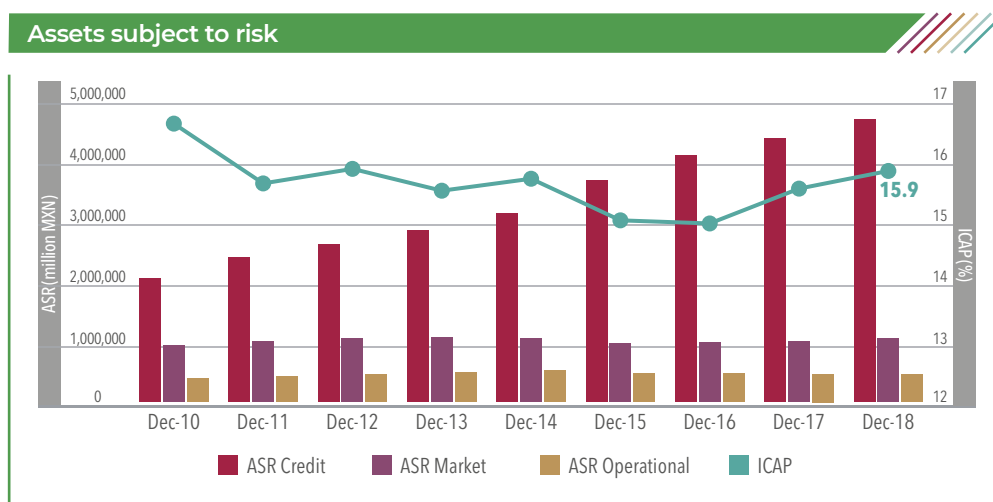
The above in relation to the entry into force of new factors that may reconfigure the banking system, such as 1) creation and entry into force of an electronic payment system that allows for flexible transactions, 2) favorable political conditions to encourage financial inclusion, 3) increasing participation of new figures such as fintech companies or e-commerce in the banking business, and 4) increasing risks of cybersecurity in financial transactions, among the most important.

At the end of the period, 50 IBMs were in operation, two more than in 2017, as a result of the start of operations of Banco Shinhan (January), Banco S3 (March) and Bank of China (July), as well as the merger process between Banco Interacciones and Banorte (July).

It is relevant to note that the banking sector is backed by robust levels of solvency and liquidity, above regulatory requirements and international parameters, since the ICAP of IBM was 15.9% at the close of 2018, standing at the highest levels of the last five years.

It should be noted that this growth in ICAP has occurred in spite of a growth of more than 80% of the assets subject to risk (ASR) that entities have, with respect to the assets recorded in 2010. This is mainly due to a higher credit placement, whose growth rate in the same period was 128%.

This growth has been focused on financing the economic development of the different sectors in which it participates since most of the loans granted by banks are directed to the productive and commercial sectors.



Source: CNBV, with the information provided by the entities as of April 2019

The CCL median was at 198.3%, almost double the regulatory requirement.

In line with the level of capitalization and its ASR, the sector's consolidated total assets grew 6.0% compared to 2017, of which the loan portfolio represents 54.2% of total assets (in 2017, 52.6%).

Commercial banks financial information (billion MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets	9,023	9,567	544	6.0%
Security investments + net OVD1	1,096	1,233	137	12.5%
Total loan portfolio	4,746	5,185	439	9.3%
Commercial	3,028	3,327	299	9.9%
Consumer	972	1,038	66	6.8%
Housing	746	820	74	9.9%
Preventive estimates	158	167	9	5.5%
Total liabilities	8,086	8,544	458	5.7%
Traditional deposit-taking	5,005	5,367	362	7.2%
Stockholders' equity	937	1,023	86	9.1%
Loan granting income	117	151	34	29.0%
Financial intermediation income	33	32	-1	-3.6%
Operating result²	181	209	28	15.6%
Net income	138	158	20	14.1%

Notes:

1/ Operations with securities and derivatives.

2/ Income before taxes and discontinued operations

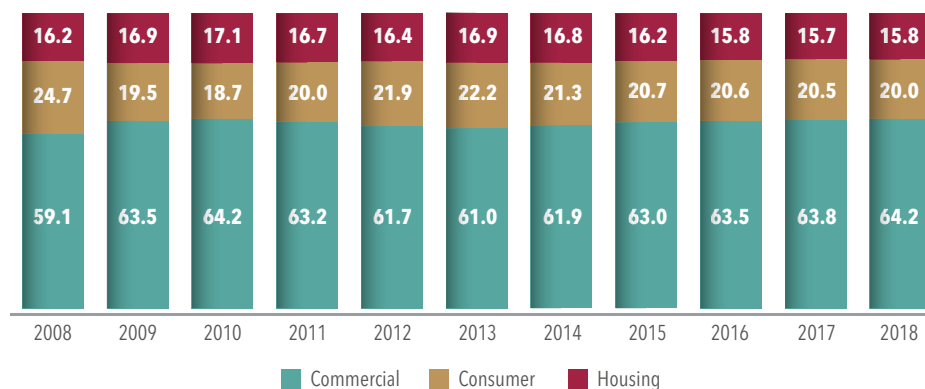
Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

Loans granted by banks, especially consumer loans, increased less than granted to commercial and mortgage loans, as a result of the risk diversification strategy of credit institutions and the prudence of the clients in the face of the increase in interest rates registered during 2018.

It is worth pointing out that the group of the seven largest banks by the amount of their assets represents 79.4% of the total assets of the banking system.

Commercial banks loan portfolio composition (%)



Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

At the close of 2018, the total portfolio amounted to \$5,185 billion MXN, made up of the following products:

- Commercial loans represented 64.2%, registering a growth of 9.9% (\$299 billion MXN) with respect to 2017, reaching \$3,327 billion MXN. This is the result of increased financing to commercial and productive state-owned enterprises.
- The total consumer loan portfolio increased by 6.8% to \$1,038 billion MXN (20.0% of the total portfolio). It is important to note that this portfolio was mostly concentrated in three institutions.
- Housing loans stood at \$820 billion MXN, representing 15.8% of the total portfolio, continuing its positive trend registering an annual increase of 9.9% (\$74 billion MXN) with respect to 2017, mainly due to a boost in the dynamics of the middle and residential housing sector.

The total delinquency index (IMOR) remained unchanged at 2.1% at the end of 2017. Despite the constant growth of the loan portfolio placed, both the credit institutions and the supervision activities carried out during the year contributed to controlling the risk and deterioration of the portfolio placed.

Disaggregated, the IMOR of the commercial portfolio was at the same level of 1.3%, with respect to the previous period, while the IMOR of the consumer and housing portfolios were reduced from 4.5% to 4.4% and from 2.7% to 2.6%, respectively.

Commercial banks financial indicators

PORTFOLIO TYPE	IMOR ¹		TDA ²		ICOR ³	
	2017	2018	2017	2018	2017	2018
Commercial	1.3	1.3	1.9	1.8	128.5	129.3
Consumer	4.5	4.4	13.4	13.3	206.9	198.2
Housing	2.7	2.6	3.7	3.5	54.6	52.0
TOTAL	2.1	2.1	4.8	4.6	154.9	152.4

Notes:

1/ Delinquency index (IMOR) = non-performing loan portfolio / total portfolio.

2/ Adjusted impairment ratio (TDA) = 12-month average non-performing portfolio of the segment aggregated with 12-month removals and write-offs / 12-month average total portfolio of the segment aggregated with 12-month removals and write-offs.

3/ Coverage index (ICOR) = Preventive estimates for loan risk / non-performing loan portfolio.

Source: CNBV, with the information provided by the entities as of April 2019.

On the other hand, the TDA, which measures the non-performing portfolio with average removals and write-offs of twelve months, decreased from 4.8% to 4.6%.

While the ICOR also declined 2.5 percentage points (pp) to 152.4%, this level means that the non-performing portfolio is covered 1.5 times by the preventive estimates for loan risks and declined relatively little, considering the growing volumes in loan portfolios.

On the other hand, IBM's financing structure continued to improve, as the traditional deposit-taking went from 61.90% to 62.82% of its total liabilities because of the liquidity regulations aligned with international best practices. Likewise, it registered a growth of 7.2% (\$362 billion MXN) to reach \$5,367 billion MXN, reflecting the confidence of the saving public in the banking sector.

Commercial banks main indicators

INDICATOR	2017	2018	VARIATION	%
IMOR	2.15	2.11	-0.04	-1.8%
TDA ¹	4.8	4.6	-0.2	-4.7%
ICOR	154.9	152.4	-2.5	-1.6%
EPRC / CT ²	3.3	3.2	-0.1	-3.4%
CCL ³	174.9	198.3	23.4	13.4%
ICAP ⁴	15.6	15.9	0.3	2.1%
Key equity / APSRT	13.5	13.6	0.1	0.6%
Core capital / APSRT	14.17	14.22	0.05	0.3%
CCPT ⁵	3.6	4.2	0.6	16.1%
ROE, twelve months ⁶	15.2	16.0	0.8	5.2%
ROA, twelve months ⁷	1.6	1.7	0.1	6.2%
Operational efficiency ⁸	3.7	3.8	0.1	2.4%
Non-financial income ⁹	0.295	0.251	-0.044	-14.8%
MIN ¹⁰	7.80	7.75	-0.05	-0.6%

Notes:

- 1/ TDA: the ratio of the 12-month average of the non-performing portfolio, plus the written-off portfolio in the previous 12 months, divided by the 12-month average of the total portfolio, plus the written-off portfolio in the previous twelve months.
- 2/ Preventive estimates for loan risk / total portfolio.
- 3/ CCL: Average level of the IBMs required to report the CCL, calculated in accordance with the General provisions on liquidity requirements for IBMs. The indicator refers to the CCL median of IBMs.
- 4/ ICAP: Result of dividing net capital by the total risk-weighted assets (APSRT), expressed as a percentage rounded to the nearest hundredth of a percentage point.
- 5/ Average percentage acquisition cost.
- 6/ Net income (accumulated twelve months) / average stockholders' equity for the last 12 months.
- 7/ Net income (accumulated twelve months) / average assets for the last 12 months.
- 8/ Administration and promotion expense 12 months / average total assets for 12 months.
- 9/ Other incomes / total average assets in 12 months.
- 10/ Financial margin (accumulated 12 months) / average productive assets 12 months.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The indebtedness ratio¹⁰ decreased marginally with respect to 2017, going from 90% to 89.3%, which means that total assets cover 1.1 times the sector's liabilities. 79.4% of total liabilities are concentrated in the seven largest banks¹¹, which, according to the relevance of their operation for the financial system, are considered by the CNBV to be of systemic local importance.

Stockholders' equity grew 9.1% (\$86 billion MXN), as a consequence of the positive dynamics recorded as a result of profits, as well as the monitoring of the results of the ESC-ES and ESC-EI, in which entities that were determined to be short of capital were required to make additional contributions.

In terms of profitability, the banking sector obtained good results by registering a growth in annual terms of 14.1% (\$20 billion MXN) in the balance of the accumulated net income of \$158 billion MXN.

As a result, the indicator of the return on assets (ROA) and return on equity (ROE) were 1.7% and 16.0%, respectively.

10/ Indebtedness ratio = Total liabilities / Total assets. It measures the proportion of total assets contributed by the bank's creditors.

11/ Considering the amount of assets and net results.

Commercial banks operational information

CONCEPT	2017	2018	VARIATION	%
IBM in operation	48	50	2	4.2%
IBM considered Domestic Systemically Important Banks	7	7	0	0.0%
Branches	12,745	12,793	48	0.4%
ATMs	49,508	53,270	3,762	7.6%
N° TDC ¹ contracts (units)	27,102	27,821	719	2.7%
N° loan customers (thousands)	27,102	27,821	719	2.7%
Banking correspondent modules	40,843	42,355	1,512	3.7%
Banking commission agents	4,540	5,517	977	21.5%
Amount of transactions carried out by commission agents (million MXN)	46,882	58,398	11,516	24.6%
N° of establishments with POS (units)	735,465	675,191	-60,274	-8.2%
N° of POS transactions (millions)	186,952	234,440	47,488	25.4%

Note:
1/ Credit cards

Source: CNBV, with the information provided by the entities as of April 2019.
Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

On the other hand, in terms of access to financial services, an increase was observed in the infrastructure for customer service, derived from the incorporation of 48 additional units to the network of bank branches and 3,762 automatic teller machines. In addition, there are 42,355 banking correspondent modules, which contribute to financial inclusion by bringing services closer to a greater number of people.

The number of banking commission agents came to 5,517. In the same way, 675,191 establishments have point-of-sale terminals (POS), through which 234 million transactions were carried out.

Supervisory activities

Among the main supervisory activities carried out, we have maintained those that, due to their importance, are performed on a continuous basis, highlighting: 1) the monitoring of the adequate implementation and execution of the agreements of the governing bodies, 2) the effectiveness of the internal control system, 3) the profiles of risks declared by the entities and their comprehensive management, and 4) the updates to the contingency plans, as well as to the capitalization and liquidity levels through the monitoring of ICAP and CCL.

In that sense, the performance and quality of the banks' assets and liabilities, as well as their exposure to risks, such as credit, market, and operational risks, were reviewed, while maintaining a strict vigilance over the adequacy of the intermediaries' capital to deal with them.

Likewise, activities were permanently carried out to identify and mitigate in a timely manner the risks that could arise in the institutions, such as the analysis of financial information based on its different reports and business plans.

Additionally, as part of the definition of the supervision priorities established for 2018, and depending on the profile of each institution, the following activities were carried out, focused on the relevant issues due to their importance or risk:

- Commercial portfolio. Supervision of the entire credit process, including the investment projects with their own source of payment, the rating of the entire commercial portfolio, and a sample of credit files, to verify their documentation and guarantees thereof. Also, the internal control of such portfolio was also evaluated.
- Housing portfolio. Review of the credit origination process, the rating of the entire mortgage portfolio, and a sample of credit files, to verify that they had appraisals, insurance, types of coverage, registrations before the Single Housing Registry (Registro Único de Vivienda, RUV), and controls for its management.
- Consumer portfolio. Verification of the loan origination process and the rating of all payroll, personal and

automotive loan portfolios, as well as monitoring and control of portfolios in terms of harvests, impairment, and recovery strategies.

- Liquidity. Verification of compliance with regulatory limits established for the CCL and review of its calculation process, including 1) manuals, methodologies and tools to generate it, 2) weighing and classification of liquid assets, 3) outflows and inflows, and 4) operational purpose deposits.
- Leverage index. Periodic monitoring of leverage levels and their publication, as well as the revision of the methodology for their calculation.
- Capitalization. Verification of compliance with regulatory limits established for ICAP, and review of the process and inputs that generate it, including 1) concepts that make up basic capital, 2) weighing of assets subject to credit risk (ASRC) and assets subject to market risk (ASRM), and 3) calculation of operational risk requirements.
- Comprehensive risk management. Review of risk management verifying that the profile is consistent with the business strategy and operation of the entity, evaluating its effectiveness through 1) ESC, 2) contingency and financing plan, 3) review of audit reports on integral risk matter, and 4) biannual technical evaluation on integral risk management and verification of compliance with risk limits, defined by the risk committee.
- Identity theft. Follow-up on the actions implemented by the entities to comply with the provisions on identity theft.
- Fiduciary. Verification of the trust business process, including evaluation of the functionality of the organizational structure of the trust area, daily liquidation of operations, and effectiveness of the internal control system of the business.
- External auditors. Revision of elements necessary to qualify as an independent auditor, as well as the evaluation of reports and working papers including 1) sufficiency and scope of the audit, 2) procedures used to carry out the audit, 3) issuance of various communications and reports, and 4) preparation of the disclosure matrix.
- Fraud prevention and detection. Evaluation of the internal control system and sufficiency of alerts; review of the application of procedures; of guarantees; as well as the claims and events of loss reported by the entities.
- Cybersecurity. Evaluation and follow-up of the protocols for dealing with incidents identified in 2018, as well as the verification of their reporting in accordance with applicable regulations.

3.4.2.2. Development banks and promotion entities

Composition of the sector and current situation

The CNBV supervises various entities whose mission is to promote the country's development through financial activities. Among the main functions of these entities are: to grant commercial loans (preferably as second-tier banks) and guarantees; to provide technical advice and other support; to grant mortgage loans for housing mortgage or consumer loans for workers in the country's formal sector; and finally, to promote savings and support the popular savings and loan sectors.

Among those entities are included the IBDs, promotion bodies and public trusts that, according to the applicable regulations, are part of the Financial System in Mexico.

Furthermore, since December 2014, a SOFOM E.R. has been supervised, as said company established a patrimonial with a development bank.

Formation of the development banking and promotion entities sector

Attended sector	Type of entity			
	IBDs	Promotion bodies	Promotion bodies	SOFOE E.R.
Agricultural and rural	NA	Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero (FND) ¹	Fideicomisos Instituidos en Relación a la Agricultura (FIRA) ²	NA
Savings and consumer	Banco Nacional del Ejército, Fuerza Aérea y Armada (Banjército) Banco del Ahorro Nacional y Servicios Financieros (Bansefi)	Instituto del Fondo Nacional para el Consumo de los Trabajadores (Infonacot)	NA	NA
Industrial, government and infrastructure	Nacional Financiera (Nafin) Banco Nacional de Comercio Exterior (Bancomext) Banco Nacional de Obras y Servicios Públicos (Banobras)	NA	Fideicomiso de Fomento Minero (Fifomi)	NA
Housing	Sociedad Hipotecaria Federal (SHF)	Instituto del Fondo Nacional de la Vivienda para los Trabajadores (Infonavit) Fondo de la Vivienda del Issste ³ (Fovissste)	Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI)	Metrofinanciera, Sociedad Anónima Promotora de Inversión (S.A.P.I.) de C.V., SOFOE E.R.

Notes:

NA: It does not apply.

1/ As of January 11th, 2014, it changed its name; it was previously known as Financiera Rural.

2/ Composed 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/ Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE).

Development banks current situation

The sector presented positive results, with a balance in total assets amounting to \$2,073 billion MXN, representing an annual growth of 7.1% compared to 2017; Banobras y Nafin concentrated 68.8% of total assets.

The loan portfolio had an annual increase of 10.1%, going from a balance of \$962 billion MXN in December 2017 to \$1,058 billion MXN at the end of 2018. In this aspect, the following stand out:

- The banks with the greatest increase in their portfolio were Banobras and Nafin, with \$39 and \$32 billion MXN, respectively.
- Commercial loans grew 10.8%, making it the most important portfolio, accounting for 94.6% of the total portfolio, with an amount of \$1,001 billion MXN. Banobras has a 43.3% participation in this item, followed by Nafin with 25.9% and Bancomext with 23.0%.
- Loans were granted primarily to government entities, financial intermediaries, and foreign exchange-earners.
- Consumer loans registered an increase of 6.0% with respect to 2017 and represented only 3.4% of the total portfolio, reaching \$36 billion MXN. In this item, Banjército's participation stands out with 97.8%, with an amount of \$35 billion MXN, being the main line of business of this bank.

- Housing loans had a decrease of 9.6%, reaching \$2 billion MXN at the end of 2018, representing 2.0% of the total portfolio. The reduction was mainly due to the decrease in SHF's loans, which represented 49.3% of the total housing portfolio.

Development banks financial information (billion MXN) ¹

CONCEPT AND INSTITUTIONS	2017	2018	VARIATION	%
Total assets	1,936	2,073	137	7.1%
Banobras	762	843	81	10.6%
Nafin	516	583	67	12.9%
Bancomext	429	402	-27	-6.3%
SHF	116	131	15	12.7%
Banjército	73	71	-2	-3.4%
Bansefi	39.5	42.6	3.1	7.8%
Total loan portfolio	962	1,058	96	10.1%
Banobras	394	433	39	9.9%
Nafin	228	260	32	13.6%
Bancomext	209	230	21	9.9%
SHF	82	86	4	5.8%
Banjército	45	46	1	2.2%
Bansefi	3.5	3.2	-0.3	-9.1%
Total liabilities	1,788	1,905	117	6.6%
Banobras	714	788	74	10.3%
Nafin	483	546	63	12.9%
Bancomext	402	372	-30	-7.5%
SHF	93	106	13	13.2%
Banjército	58	54	-4	-7.6%
Bansefi	37	40	3	8.1%
Stockholders' equity	148	167	19	12.8%
Banobras	48	55	7	14.5%
Nafin	33	37	4	12.9%
Bancomext	27	31	4	13.8%
SHF	23	25	2	10.4%
Banjército	15	17	2	12.7%
Bansefi	2.3	2.4	0.1	3.6%
Net income	9.9	8.3	-1.6	-16.5%
Banobras	4.1	2.1	-2.0	-48.9%
Nafin	1.5	2.5	1.0	68.2%
Bancomext	0.26	0.05	-0.21	-81.7%
SHF	1.73	1.57	-0.15	-8.9%
Banjército	2.1	2.0	-0.1	-6.2%
Bansefi	0.20	0.04	-0.15	-77.6%

Notes:

1/ Figures consolidated with subsidiaries of Nafin, Bancomext, and SHF.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

It is worth noting that the loan growth was accompanied by non-performing portfolio indicators similar to those registered in 2017, reflected in an IMOR of 1.9%, which represented at the close of 2018, a reduction of 0.04 pp with respect to 2017.

The sector's liabilities represented \$1,905 billion MXN, which meant an increase of \$117 billion MXN, that is, 6.6% more than in 2017. This amount represented 91.9% of total assets.

Stockholder's equity stood at \$167 billion MXN, which represented an increase of \$19 billion MXN (12.8%) over the previous year. This growth is explained by the accumulation of profits and capital contributions.

In terms of results, all the IBDs obtained positive net earnings at the close of 2018. The results were mainly due to the increase in the financial margin and decrease in the constitution of preventive estimates for loan risks, as well as in the administrative and promotional expenses.

Development banks financial indicators ¹

CONCEPT AND INSTITUTIONS	2017	2018	VARIATION	%
ICAP (%)²	16.7	17.5	0.8	4.9%
Banobras	16.9	18.3	1.5	8.7%
Nafin	14.46	14.52	0.06	0.4%
Bancomext	18.1	18.8	0.7	4.0%
SHF	14.2	14.5	0.3	2.1%
Banjército	21.3	23.1	1.7	8.0%
Bansefi	20.7	24.5	3.8	18.6%
IMOR (%)³	1.94	1.90	-0.04	-2.0%
Banobras	0.58	0.54	-0.04	-6.9%
Nafin	0.82	0.29	-0.53	-65.0%
Bancomext	0.9	2.2	1.3	138.9%
SHF	14.3	11.7	-2.6	-18.2%
Banjército	1.7	3.4	1.7	102.2%
Bansefi	4.26	9.01	4.75	111.6%
ROE (%)⁴	7.2	5.3	-1.9	-26.5%
Banobras	9.1	4.1	-4.9	-54.4%
Nafin	5.1	7.3	2.2	44.3%
Bancomext	1.03	0.17	-0.86	-83.9%
SHF	8.1	6.5	-1.6	-19.7%
Banjército	14.6	12.1	-2.5	-17.3%
Bansefi	8.6	1.8	-6.8	-78.9%
ROA (%)⁵	0.54	0.41	-0.13	-24.0%
Banobras	0.6	0.3	-0.3	-55.0%
Nafin	0.304	0.468	0.164	54.0%
Bancomext	0.07	0.01	-0.06	-82.9%
SHF	1.45	1.26	-0.19	-13.3%
Banjército	3.0	2.8	-0.2	-7.8%
Bansefi	0.44	0.09	-0.35	-79.1%

Notes:

1/ Figures consolidated with the subsidiaries of Nafin, Bancomext, and SHF

2/ ICAP = Stockholders' equity / total assets subject to risk..

3/ IMOR = non-performing portfolio / total portfolio.

4/ ROE = net income accumulated in twelve months / average stockholders' equity for the last 12 months.

5/ ROA = net income accumulated in twelve months / average total assets for the last 12 months.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

At the end of 2018, ROE and ROA stood at 5.3 y 0.41%, respectively. Banjercito remained the most profitable entity with a ROE of 12.1% and a ROA of 2.8%, although the former decreased by 2.5 pp in relation to the previous year. On the other hand, Nafin was the only entity increasing the ROE (2.2 pp) and ROA (0.164 pp), obtaining profits of 2.5 billion MXN.

At the close of 2017, ICAP for the sector was 17.5%, 0.8 pp more than in 2017. The entities that strengthened ICAP the most were Banobras, Bansefi, and Banjercito due to the profit in the year.

Finally, among the relevant events of the IBDs during 2018, the following stand out:

- Bancomext announced new credit products, whose purpose is to contribute to the modernization of the export plant, which are: Business Guarantee, Mezzanine-Prime Certification, Special Economic Zones, PYMEX Guarantees, Foreign Trade Guarantees, Central American Caribbean Country Risk, Factoring (Domestic and International), and Leasing.
- Bansefi continued to provide support from various programs, highlighting the Prospera program and support for those affected by the 2017 earthquakes.
- Nafin made in-kind contributions to the share capital of Plaza Insurgentes Sur, S.A. de C.V., and increased its participation in the share capital of Operadora de Fondos.
- SHF has carried out auctions as part of the exit strategies of the mortgage portfolio from the trusts in kind. By 2018, its objective was to dissolve 90% of such portfolio; however, the foreclosed mortgage portfolio went from \$17,032 million MXN in September 2017 to \$9,840 million MXN at the end of 2018, decreasing 42.23%.

Promotion entities current situation

The promotion entities sector, which includes promotion bodies and public trusts that are part of the financial system, achieved positive results with assets of \$1,845 billion MXN and annual growth of 5.0%. In this regard, the following stand out:

- Infonavit concentrates the largest share of sector assets, with 77.5% of the total.
- FIRA, FOVI and Fifomi, maintain a combined value of \$203 billion MXN, of which 89.3% corresponded to FIRA.
- FIRA, Infonavit, and Infonacot recorded the highest growth: 14.0, 9.4 y 7.4%, respectively

The loan portfolio had an annual increase of 7.5%, going from \$1,693 billion MXN in December 2017, to \$1,820 billion MXN in the same month in 2018. In this regard, the following stand out:

- Mortgage loans represented the most important portfolio within the total loan portfolio, with 86.4%, followed by the commercial portfolio with 12.5%, and the remaining 1.1% in consumer portfolio.
- Infonavit concentrates 75.0% of the total portfolio.
- FOVI showed a decrease in its loan portfolio, going from \$13 billion MXN in December 2017, to \$10 billion MXN at the end of 2018.

Promotion entities financial information (billion MXN)

CONCEPTS AND INSTITUTIONS	2017	2018	VARIATION	%
Total assets	1,757	1,845	88	5.0%
Infonavit	1,306	1,429	123	9.4%
Infonacot	22	23	1	4.5%
Fovissste	177	189	12	6.9%
FIRA	159	181	22	14.0%
Fifomi	5.6	5.7	0.1	1.6%
FOVI	20	16	-4	-19.0%
FND	68	73	5	7.6%
Total loan portfolio	1,693	1,820	127	7.5%
Infonavit	1,277	1,365	88	6.9%
Infonacot	19	21	2	10.5%
Fovissste	189	205	16	8.7%
FIRA	134	154	20	14.4%
Fifomi	3.53	3.48	-0.05	-1.4%
FOVI	13	10	-3	-26.5%
FND	57	63	6	10.0%
Liabilities	1,395	1,536	141	10.1%
Infonavit	1,107	1,210	103	9.3%
Infonacot	10.66	10.83	0.18	1.6%
Fovissste	169.8	186.1	16.3	9.6%
FIRA	76	93	17	23.0%
Fifomi	0.67	0.49	-0.18	-27.0%
FOVI	0.91	1.23	0.32	35.2%
FND	30.3	34.8	4.5	14.9%
Stockholders' equity	361	378	17	4.7%
Infonavit	199	219	20	10.3%
Infonacot	10.9	12.3	1.4	12.9%
Fovissste	7.1	3.0	-4.1	-58.1%
FIRA	83.1	85.8	2.8	3.3%
Fifomi	4.97	5.24	0.27	5.4%
FOVI	19.4	15.3	-4.2	-21.5%
FND	37.3	37.9	0.6	1.6%
Net income	39	30	-9	-23.1%
Infonavit	23.1	20.4	-2.7	-11.7%
Infonacot	1.7	1.5	-0.2	-14.4%
Fovissste	7.1	3.0	-4.1	-58.1%
FIRA	4.18	4.15	-0.03	-0.8%
Fifomi	0.087	0.082	-0.005	-5.4%
FOVI	1.54	0.82	-0.72	-47.0%
FND	1.27	0.23	-1.04	-82.1%

Source: , with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The sector's stockholders' equity amounted to \$378 billion MXN, which implied an increase of 4.7% with respect to 2017, and represented 20.5% of assets. On the other hand, liabilities stood at \$1,536 trillion MXN, which translates into 83.3% of assets

Loan growth was accompanied by non-performing portfolio indicators very similar to those of 2017, which was reflected in an IMOR of 7.39%, a decrease of 28 base points (bps). It should be mentioned that Fifomi and FOVI had a considerable increase in this indicator (12.3 and 11.8 pp, respectively). However, this did not influence the sector's IMOR, given that its loan portfolio is very small compared to other entities.

The Balance-sheet Strength Index (IFP) stood at 15.40 pp, 40 bps higher than in 2017. It should be noted that all promotion entities had an increase in their IFP, with the exception of Fifomi, which showed a slight contraction of 37 bps, being FOVI, who presented a higher increase of 7.36 pp.

The sector's profits were \$30 billion MXN, which represented a decrease of 22.8% with respect to the previous year since all entities contracted their profits, being the decrease of Infonavit for \$2.7 billion MXN and Fovissste for \$4.1 billion MXN the most representative in terms of amount.

The sector's ROE and ROA ratios showed decreases, standing at the end of 2018 in 8.5% and 1.7%, respectively, with Fovissste showing the greatest decrease in its ROE at 225.9 pp, and FOVI in terms of ROA at 3.8 pp. However, it should be noted that FIRA was the only one to show growth in both ROE and ROA.

Promotion entities financial indicators

CONCEPT AND INSTITUTIONS	2017	2018	VARIATION	%
IFP (%)¹	15.0	15.4	0.4	2.7%
Infonavit	12.7	12.9	0.2	1.6%
Infonacot	40.3	42.8	2.5	6.2%
Fovissste	8.9	10.3	1.4	16.0%
FIRA	36.7	37.0	0.3	0.8%
Fifomi	16.76	16.39	-0.37	-2.2%
FOVI	28.92	36.28	7.36	25.4%
FND	NA	NA	NA	NA
IMOR (%)²	7.67	7.39	-0.28	-3.6%
Infonavit	8.1	7.8	-0.3	-3.1%
Infonacot	5.9	5.1	-0.8	-13.9%
Fovissste	8.3	6.7	-1.6	-19.0%
FIRA	0.83	1.07	0.24	29.5%
Fifomi	1.0	13.3	12.3	1,219.1%
FOVI	50.9	62.7	11.8	23.2%
FND	4.0	7.9	3.9	98.4%
ROE (%)³	11.3	8.5	-2.8	-24.8%
Infonavit	12.1	9.8	-2.3	-18.8%
Infonacot	17.2	12.8	-4.4	-25.7%
Fovissste	460.6	234.8	-225.9	-49.0%
FIRA	5.16	6.13	0.97	18.9%
Fifomi	1.76	1.63	-0.14	-7.8%
FOVI	8.5	4.4	-4.2	-48.7%
FND	3.4	0.6	-2.9	-82.8%
ROA (%)⁴	2.3	1.7	-0.6	-27.6%
Infonavit	1.84	1.47	-0.37	-20.1%
Infonacot	8.3	6.3	-2.0	-24.0%
Fovissste	4.1	1.6	-2.6	-61.7%
FIRA	2.8	3.1	0.3	10.3%
Fifomi	1.6	1.5	-0.1	-7.0%
FOVI	7.9	4.1	-3.8	-48.2%
FND	2.0	0.3	-1.7	-83.9%

Notes:

NA: It does not apply.

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

2/ IMOR = non-performing portfolio / total portfolio.

3/ ROE = net income accumulated in twelve months / average stockholders' equity for the last 12 months

4/ ROA = net income accumulated in twelve months / average total assets for the last 12 months.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

Finally, among the relevant events of the promotion entities during 2018, the following stand out:

- The SHCP authorized to charge to FOVI, under the legal nature of exploitation, an amount of \$5,000 million MXN for the recovery of assets. The payment of such exploitation decreased FOVI's solvency indicator close to 11 pp, without putting in risk the solvency of the entity.
- Fovissste conducted a stock issue for an amount of \$12 billion MXN. Among its main characteristics, the following stand out: 1) approximate term 29 years, 2) initial lieu 14%, 3) guarantee of timely of payment granted by the SHF for up to 23.2% of the unpaid balance of the issue, 4) the rating agencies Moody's and HR Ratings, each granted the AAA.mx rating, and 5) the housing fund assigned 27,544 loans to the trust, with a balance of \$13,954 billion MXN.

This operation confirmed that Fovissste is the main issuer of trust certificates (CBF) in Mexico, backed by mortgage loans and that it is a recurrent issuer in the Mexican market of mortgage-backed bonds.

- Infonavit granted financing for the construction of 4,812 homes in various parts of the country. The foregoing, through the Credito Integral Linea III scheme, established in its Law.
- Infonacot recorded a 6.44% growth in its loan portfolio, operating only cash loans.
- Fifomi continued to support the mining sector by placing loans and providing guarantees.
- FIRA issued its first three-year, \$2.5 billion MXN Green Bond. The resources will be destined for diverse projects with a positive ecological impact.

Supervisory activities

As part of the general supervisory activities, the institutional programs and business plans 2013-2018 followed-up, especially at the level of loan placement, both direct and induced through guarantees, in order to evaluate the impact that these plans could have on the solvency and operation of the supervised entities.

Likewise, the work programs implemented by some entities were followed up due to the end of the transitory periods contemplated in the General provisions applicable to the promotion bodies and entities, in order to eliminate backlogs in aspects related to internal control, internal audit and the comprehensive risk management.

Specifically, the following inspection and monitoring activities stand out:

- Monitoring of the operation, control, and risks of the various programs implemented by some IBDs to support those affected by the earthquakes, in order to verify compliance with the terms and requirements of the aforementioned programs, as well as their proper operation.
- Monitoring of the level of loan placement, both directly and induced through guarantees, in order to verify that the risks assumed as a consequence of meeting growth targets are congruent with the solvency levels required by regulation.
- Conducting a special visit to an IBD to review the operation and control environment of the loan process implemented for a program focused on the agricultural sector.
- Evaluation of the adherence of institutions to the internal provisions and policies regarding the granting and origination of loans, respecting the guidelines of evaluation and approval of operations contained in the respective manuals or programs, in order to guarantee the placement standards.
- The follow-up to corrective actions derived from inspection visits carried out from 2012 to 2018, as well as those issued as a result of monitoring activities, to the supervised entities. The foregoing, in order to issue historical monitoring documents and notify such entities about the status of the corrective actions in question.

- Evaluation of the presentation of notices of third party contracting in the provision of services and administration of databases, as well as for the conclusion of mercantile commission contracts for the performance of operations in the name and on behalf of the institutions, in coordination with the area of authorizations.
- Development of the IBD's annual ESC exercise, to evaluate a possible impact in the face of adverse economic conditions.
- Monitoring the restructuring of SOFOM's liabilities, with a development bank and a promotion entity, which implies improvements to the profitability, solvency, and operational viability of said entity.
- Preparation of reports to the Congress on the financial situation and risk level of each of the IBDs and the FND.
- Evaluation of compliance with disclosure requirements, through the entities' website, on the occasion of the issuance of the audited annual financial statements for the fiscal year 2018.
- Elaboration of quarterly financial analysis and risk reports, in which the risk level of the entities was evaluated through the risk-focused methodology and the relevant events, risks, and operations of the entities were followed-up.
- Review of the content of the reports and opinions of external auditors, as well as the follow-up by the supervised entities of the observations made in said documents.

Based on the results of the supervisory activities referred to above, there are elements that allow us to conclude that both the IBDs and the promotion bodies and public trusts continue to maintain a stable financial situation. In addition, the supervisory activities promoted improvements or the strengthening of processes and controls that allow or contribute to a healthy loan and fiduciary operation, an adequate internal control environment, and effective, comprehensive risk management.

Finally, the CNBV also instructed measures for entities to properly record, present, and disclose their financial situation and risk profile. Specifically, it should be noted that:

- The sector is well-capitalized, and profitability is above break-even. Stress analyses indicate that there is a good position to withstand a deterioration in economic conditions, without compromising the solvency of the entities.
- The system of internal control and corporate governance is consolidated in most cases and reasonably complies with the regulations. The control, risk management, and audit activities fulfill their responsibility to oversee the proper execution of the processes and strategy.

3.4.2.3. Brokerage firms

Composition of the sector and current situation

At the close of 2018, the brokerage sector was made up of 35 intermediaries, one less than the previous year, due to the merger of Interacciones with Banorte. Seventeen entities are members of financial groups, and with regard to their shareholding structure, thirteen are subsidiaries of foreign financial entities.

Brokerage firms financial information (billion MXN)

CONCEPT	2017	2018	VARIATION	%
Number of entities	36	35	-1.0	-2.8%
Memorandum accounts	10,143	9,171	-972	-9.6%
Customer securities received in custody	7,728	6,485	-1243	-16.1%
Government debt	1,324	993	-331	-25.0%
Bank debt	280	317	37	13.2%
Other debt securities	452	431	-21	-4.7%
Equity instruments	5,655	4,727	-928	-16.4%
Trust securities	16.4	17.0	0.6	3.5%
Others	0.11	0.05	-0.05	-50.5%
Total assets	533	646	113	21.1%
Investments in securities	351	474	123	34.9%
Trading securities	325	397	72	22.2%
Securities available for sale	21	67	46	219.0%
Securities held to maturity	5.6	9.3	3.7	65.6%
Debtors under repurchase agreements	5.84	5.76	-0.09	-1.5%
Accounts receivable	82.9	81.3	-1.6	-2.0%
Total liabilities	486	597	111	22.8%
Creditors under repurchase agreements	323	406	83	25.7%
Derivatives	48	60	12	25.2%
Other accounts payable	101	108	7	6.9%
Stockholders' equity	47	49	2	3.9%
Contributed capital	28.0	28.7	0.6	2.3%
Earned capital	19	20	1	6.3%
Net income	8.2	9.4	1	14.3%

Source: CNBV, with the information provided by the entities as of April 2019.
Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

Assets presented an annual growth of 21.1%, reaching \$646 billion MXN at the end of 2018, mainly due to the 34.9% increase in investments in securities.

With respect to liabilities, these increased 22.8% to reach \$597 billion MXN at the close of 2018, due to the growth in repurchase agreements, 25.7% and derivatives, 25.2%. On the other hand, stockholders' equity, showed a growth of 3.9%, reaching \$49 billion MXN, mainly due to an increase in accumulated profits.

The value of memorandum accounts went from \$10,143 billion MXN in 2017 to \$9,171 in 2018. 70% of these accounts, equivalent to \$6,485 billion MXN, is represented by custody operations. 67% of total accounts (269,844) is concentrated in six brokerage houses: Actinver, Banorte, Citibanamex, Kuspit, Vector, and Grupo Bursátil Mexicano. Regarding the operations of client securities received in custody, net equity instruments represented 72.9 percent.

Brokerage firms financial indicators

CONCEPT	2017	2018	VARIATION	%
Main financial indicators				
Solvency (number of times) ¹	1.097	1.082	-0.015	-1.4%
Liquidity (number of times) ²	0.3	0.2	-0.1	-27.7%
Leverage (number of times) ³	9.3	10.9	1.7	17.9%
ROE (%) ⁴	17.2	19.2	2.0	11.4%
Administrative and promotion costs / total operating income (%) ⁵	63.6	73.4	9.8	15.4%
Personal costs / Total operating income (%) ⁵	27.9	27.5	-0.4	-1.5%
Resultado neto / Ingreso total de la operación (%) ⁵	36.5	47.6	11.1	30.3%
ICAP (%) ⁶	26.8	29.6	2.8	10.4%

Notes:

1/ Solvency = Total assets / total liabilities.

2/ Liquidity = current assets / current liabilities.

Current assets = availabilities (cash + banks + other availabilities + foreign currency to be received) + unrestricted trading securities + unrestricted available-for-sale securities + debtors under repurchase agreements + accounts receivable.

Current liabilities = short-term bank and other agencies loans + creditors under repurchase agreements + other accounts payable.

3/ Leverage = (total liabilities + creditors for settlement of transactions) / stockholder's equity.

4/ Net income (twelve months flow) / average stockholders' equity for the last 12 months.

5/ Calculations in twelve months flow.

Personnel costs = direct short-term benefits + salaries.

Total operating income = profit from services + financial margin for brokerage + other income (expense) from the operation.

6/ ICAP = Net capital / total assets subject to risk.

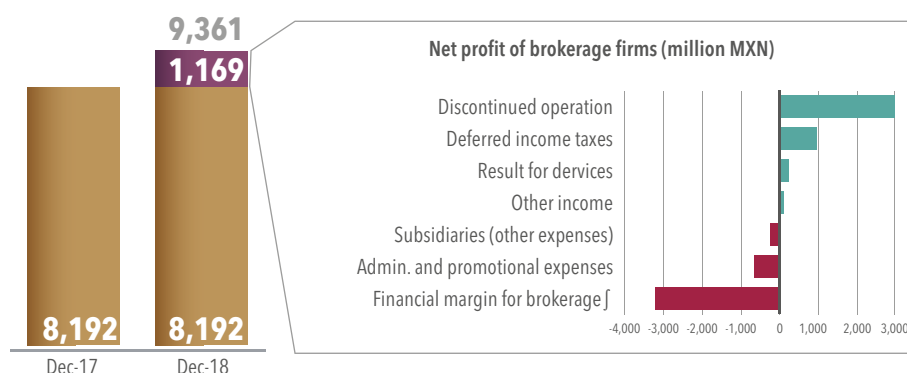
Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

In terms of net income, the sector showed a growth of 14.3% over the previous year, to reach \$9.4 billion MXN. Results for services remained at levels similar to those of 2017, going from \$11.6 billion MXN to \$11.9 billion MXN in 2018.

The losses in 2018 in the result through intermediation, \$3.2 billion MXN mainly due to the decrease in the valuation at fair value from \$0.32 billion MXN in 2017, to -\$1.12 billion MXN in 2018. These were offset by the revenues from discontinued operations, which amounted to \$3.2 billion MXN and showed a growth of 1.6 times with respect to the previous year.

Net profit of brokerage firms (million MXN)

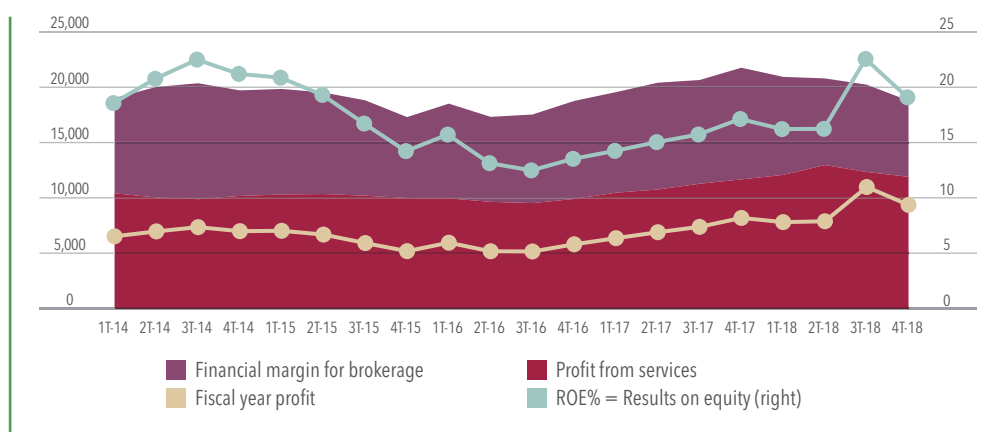


Note: The discontinued operations are explained by the sale of a subsidiary of a brokerage house.

Source: CNBV. Statistical Bulletin

The return on capital, represented by the ROE, amounted to 19.2%, showing a slight increase in relation to the previous period (2 pp).

Results and profitability of brokerage firms (Million MXN and percentages)

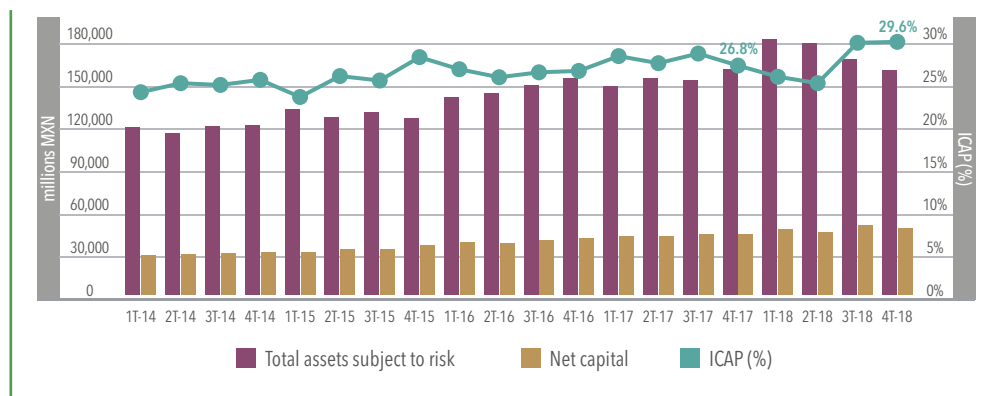


Note: 2014-2018 Quarterly periods.

Source: CNBV, with the information provided by the entities as of April 2019.

With regards to the management of its capital, the ICAP of the sector stood at 29.6%, 2.8 pp higher than the reported at the end of 2017, which was 26.8 percent.

Capital and ICAP of brokerage houses (million MXN and percentages) ¹



Notes:

1/ By an amending resolution, as of October 2015, ICAP is published. Previously, the Capital Consumption Index was calculated.

Source: CNBV, with the information provided by the entities as of April 2019.

Finally, the 35 brokerage houses maintain an ICAP higher than the minimum requirement of 10.5 percent.¹³

Supervisory activities

During 2018, the implementation of the reforms to the CUCB was revised, which aim to:

- Incentive to operate in the capital market.
- Foresee the negotiation of securities in more than one stock exchange.
- Strengthen the internal control system and computer security.
- Incorporate the duty of better execution.

13/ The minimum capital requirement consists of 8.0% capitalization, plus a capital conservation supplement of 2.5%, constituted with key equity.

Also, during the first half of the year, in addition to the usual supervisory activities, tests were carried out for the beginning of BIVA's operations, in order to verify that all brokerage firms were in a position to conclude, directly or indirectly, operations with securities in both stock exchanges.

On the other hand, the manuals of the systems for receiving and assigning operations in the capital market were reviewed to ensure that they complied with the regulations. In this regard, for brokerage firms where an ordinary visit was performed, the functioning of reception and assignment systems was thoroughly reviewed.

With regard to the modifications to the regime applicable to the internal control system, special emphasis was placed in the review of control structures, as well as on the activities to be carried out by the persons that make up the system.

Also, as part of the supervision work, the following actions stand out:

- In the monitoring, reviews of patterns of conduct of promoters and operators were implemented, which could represent an affectation to the clients or the brokerage house.
- During inspection visits to companies that manage the systems to facilitate securities transactions, reviews were carried out in order to corroborate that these companies adhere to the requirements of transparency and equality of conditions in the transaction, as well as to codes of conduct.

3.4.2.4. Investment funds

Composition of the sector and current situation

The investment funds sector was composed of 692 entities, which presented a variation of 1.9% regarding the previous year. The variation is the result of the beginning of operations of 29 new investment funds and the first mechanism of negotiation of shares of investment funds, the merger of fifteen investment funds, and one operator, as well as the revocation of a fund.

Of the total investment funds at the end of the year, those that showed a greater increase were those of equity instruments with 6.3%, due to the flexibility to conform diversified portfolios with debt securities.

Investment funds operational information

CONCEPT	2017	2018	VARIATION	%
Total number of entities¹	679	692	13	1.9%
Operators	41	39	-2	-4.9%
Limited operators (administrative services)	1	2	1	100.0%
Integral distributors	4	3	-1	-25.0%
Referral distributors	1	1	0	0.0%
Investment funds in debt instruments	289	282	-7	-2.4%
Equity investment funds	335	356	21	6.3%
Capital investment funds and companies (Fincas)	5	4	-1	-20.0%
Limited operators (valuation of shares)	2	2	0	0.0%
Electronic disclosure mechanisms	1	2	1	100.0%
Electronic stock trading mechanisms	0	1	1	100.0%
Number of contracts	2,274,184	2,352,417	78,233	3.4%
Investment funds in debt instruments	1,996,184	2,119,121	122,937	6.2%
Equity investment funds	277,905	233,292	-44,613	-16.1%
Capital investment funds	95	4	-91	-95.8%

Notes:

1/ The number of entities is those that were in operation at the end of each year.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The number of contracts increased by 78,233 units, to a total of 2,352,417, of which 81.4% is concentrated in six operators.

Investment funds financial information (million MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets by type of investment fund¹	2,322,946	2,312,049	-10,897	-0.5%
Investment funds in debt instruments	1,578,837	1,658,184	79,347	5.0%
Equity investment funds	725,772	634,433	-91,339	-12.6%
Capital investment funds	18,338	19,433	1,095	6.0%
Total assets by type of operator²	2,322,946	2,312,049	-10,897	-0.5%
Credit institutions	58,167	33,318	-24,849	-42.7%
Brokerage firms	717,518	34,985	-682,533	-95.1%
Financial groups	1,072,937	1,259,318	186,381	17.4%
Independent	474,325	984,429	510,104	107.5%
Total investment portfolio³	2,305,196	2,297,156	-8,040	-0.3%
Government titles	1,155,122	1,130,323	-24,799	-2.1%
Bank securities	322,520	367,742	45,222	14.0%
Private paper	97,641	125,893	28,252	28.9%
Fibras & CKDs	4,236	4,849	613	14.5%
Exchange-traded Fund (ETFs)	196,853	210,082	13,229	6.7%
Promoted companies	8,642	8,727	85	1.0%
Derivatives	222	238	16	7.4%
Shares of investment funds	251,976	228,802	-23,174	-9.2%
Equities	267,983	220,498	-47,485	-17.7%

Notes:

1/ The figures correspond to the accumulated balances of the account "100099 Total Assets", reported in the balance sheet of each fund in operation at the end of the period.

2/ Beginning in 2017, the classification is based on the majority owner of the minimum fixed capital, so the total amounts for each type were redistributed.

3/ Fibras & CKD = = Energy and Infrastructure Investment Trust Certificates (CBFE) + Real Estate Trust Certificates (CBFI) + Infrastructure and Real Estate Trusts (Fibras) + Capital Development Certificates (CKD) + Investment Project Trust Certificates (Cerpis).

ETF = ETF + Indexed trust certificates (TRACs or Equity-linked certificates).

Derivatives = Forwards + options + futures + swaps + warrants + Interest rate swaps + Currency swaps + share warrants (spot).

Investment funds shares = Domestic funds shares + foreign investment funds shares

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The assets of the sector decreased by 0.5% compared to 2017, a variation that is explained by the decrease in the assets of equity funds in 12.6%, despite the fact that the assets of debt and capital funds increased 5.0% and 6.0%, respectively.

On the other hand, with the sale of Impulsora de Fondos, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, Integrante del Grupo Financiero Citibanamex, currently called BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, at the end of 2018, the operators of independent investment funds registered a participation in the sector of 42.6%, higher than the one presented at the close of the previous fiscal year which was 20.4%.

It highlights that of the assets managed at the close of 2018, half of the portfolio is concentrated in government securities, 49.2%, followed by 16.0% in bank securities, 19.1% in investment vehicles (ETFs or investment funds) and a 9.6% in equity securities.

The result of the index of investment in securities and instruments through investment funds in relation to their total assets was 99.4% and remained practically the same as the end of 2017.

Supervisory activities

During 2018, ordinary inspection visits were carried out to investment fund operators and to entities that provide distribution services of the investment funds shares, such as brokerage houses and banks.

The visits focused on reviewing of the following topics: 1) internal control system, 2) organizational structure, 3) comprehensive risk management, 4) portfolio formation, 5) disclosure of information, 6) incentives and possible conflicts of interest, 7) distribution activities of investment fund shares and 8) activities related to AML/CTF prevention.

As a result of the inspection, observations, actions, and corrective measures were issued, with the purpose of strengthening internal control systems and improving the provision of services of the entities for the benefit of investors.

As for monitoring activities, they focused on verifying compliance with applicable regulations, as well as the rules established in the information prospects of each of the funds, in addition to the analysis of the financial and economic information of the funds, operators, and distribution companies. The review of the operations is noteworthy in order to verify the following issues:

- Adherence to the investment regime established in the applicable regulations and in the information prospects, with emphasis on the trading of higher-risk securities, such as asset-backed, CBF, and structured, as well as on derivative financial instruments.
- Compliance with the transaction policy for the trading of shares of investment funds, provided for in the corresponding prospects.
- Adequate accounting records, as well as consistency of the reported information, with the account statements provided by the investment funds.

3.4.2.5. Auxiliary Credit Activities and Organizations

According to LGOAAC, the CNBV is the supervisory authority of the bonded warehouses, currency exchange offices, and SOFOM E.R. The latter ones can be of four types:

1. Those that maintain patrimonial links with some credit institutions.
2. Those that have such links with other regulated entities such as SOFIPO, SOFINCO, SOCAP (with operation levels I to IV), and credit unions.
3. Those that issue debt securities at their charge registered in the RNV, in accordance with LMV.
4. Those who voluntarily adopted the regulatory regime.

Information on the supervision of the above-mentioned sectors is presented below.

Bonded warehouses

Composition of the sector and current situation

The sector is made up of sixteen bonded warehouses authorized by the SHCP, of which only fifteen are in operation.

At the close of 2018, the total assets of the sector amounted to \$18,825 million MXN, considering the information sent by thirteen companies since they do not include the figures of two entities whose information is kept under review.

In general, the financial situation of the sector presents a growth with respect to 2017, linked to a greater operability in terms of storage, mainly due to the 17.7% increase in certification in enabled warehouses, as well as the increase of total assets by 31.9% due, among others, the increase of the loan portfolio with guarantee of deposit certificates issued for the stored merchandise.

Bonded warehouses ¹

CONCEPT	2017	2018	VARIATION	%
Total number of entities in operation²	16	15	-1	-6.3%
Level I	0	0	0	0.0%
Level II	0	0	0	0.0%
Level III	11	10	-1	-9.1%
Level IV	5	5	0	0.0%
Certification	64,892	69,626	4,734	7.3%
Direct warehouses	27,032	25,057	-1,975	-7.3%
Enabled warehouses	37,860	44,568	6,708	17.7%
Total assets (million MXN)	14,273	18,825	4,552	31.9%
N5 ³ (%)	90.87	92.92	2.05	2.3%
IHH ⁴ (entities)	3	3	0	0.0%
Real estate, furniture, and equipment (million MXN)	3,974	4,247	273	6.9%
N5 ³ (%)	86.21	87.35	1.14	1.3%
IHH ⁴ (entities)	5	5	0	0.0%
Warehouses surface area⁵	1,422	1,466	44	3.1%
Direct	526	445	-81	-15.3%
Enabled	896	1,020	124	13.9%
Total liabilities (million MXN)	9,834	13,956	4,122	41.9%
Net income (million MXN)	497	573	76	15.2%
Main indicators (%)				
Use of legal capacity for certification ⁶	24.4	26.5	1.9	8.7%
Leverage ⁷	68.9	74.2	5.3	7.7%
ROA ⁸	3.8	3.6	-0.2	-6.0%
ROE ⁹	11.8	12.4	0.6	5.1%

Notes:

1/ For the information in the financial statements, the data related to Almacенadora General and Almacенadora Logística Empresarial, whose information is in the process of revision, are not considered.

2/ In 2017, the sector consisted of eighteen authorized bond warehouses, of which two were not in operation: Grupo Almacенador Mexicano and Almacенadora Gómez.

In 2018 there are sixteen authorized entities, due to the fact that the SHCP revoked the authorization to Grupo Almacенador Mexicano (not operating) and Logyx. Additionally, one entity is not operating: Almacенadora Gomez.

3/ N5 = Percentage participation in the assets of the December 2018 sector of the five largest institutions: Almacенadora Afirme with 62.4%, Almacенadora Mercader with 14.01%, Banorte with 5.9%, Almacенadora Sur with 5.6%, and Accel with 4.9%.

4/ HHI (entities) = Inverse of the Herfindahl-Hirschman (HHI) index. Number of entities that would equally share the market.

$$HHI = \left(\sum [\text{market share}]^2 \times 10,000 \right) / (10,000 / \sum [\text{market share}])$$

5/ Information obtained from the R14B 1421 Regulatory Report, Statistical Data of Warehouses, the figures are in a million m².

6/ Use of legal certification capacity = negotiable certificates of deposit issued in enabled warehouses / legal certification capacity. (30 times the stockholders' equity).

7/ Leverage = Total liabilities / total assets.

8/ ROA = Net income, twelve months flow / average total assets for the last 12 months.

9/ ROE = Net income, twelve months flow / average stockholders' equity for the last 12 months.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

Supervisory activities

In 2018 the PTS implemented the RI and the CEFER matrix for the warehouses, as well as the application of revision procedures which were updated with a focus on risks.

This strengthened the supervisory activities based on the risk profiles of the entities in order to evaluate their performance through their levels of capital and operation, financial analysis in quantitative and qualitative aspects, financial structure, and indicators.

On the other hand, the inspection tasks focused on verifying the measures implemented to mitigate the risks associated with the certification issued by this type of entity for stored merchandise, as well as the follow-up of observations determined in previous inspection visits.

Currency exchanges offices

Composition of the sector and current situation

At the end of 2018, the sector consisted of eight entities, as a result of the conclusion of the process of revocation of the authorization to operate granted to Casa de Cambio Tiber, S.A. de C.V., for not having the minimum capital foreseen in the LGOACC.

Total assets of sector amounted \$1,021 million MXN, presenting an annual increase of 12.03%, in which Divisas San Jorge Casa de Cambio, S.A. de C.V., was the entity with greater growth in this item (30.88%, \$84 million MXN), as a result of the expansion of branches.

Regarding the net income of the sector, an annual growth of 40.48% was registered, in which practically all currency exchange offices presented increases, highlighting Divisas San Jorge Casa de Cambio, S.A. de C.V. in 42.80% (\$13 million MXN) and B y B Casa de Cambio, S.A. de C.V. in 118.59% (\$11 million MXN).

Currency exchange offices

CONCEPT	2017	2018	VARIATION	%
Total number of entities	8¹	8	0	0.0%
Non-grouped	8	8	0	0.0%
Grouped without bank	-	-	0	0.0%
Total number of offices in the country	138	183	45	32.6%
Total assets (million MXN)	911	1,021	110	12.03%
Net income (million MXN)	84	118	34	40.48%
Margin for liquid resources²	394	344	-50	-12.7%
Main indicators (%)				
Leverageo	30.4	29.9	-0.5	-1.6%
Capital stock yield ⁴	150.9	156.6	5.7	3.8%
ROA ⁵	13.7	17.6	3.9	28.8%
ROE ⁶	10.3	13.1	2.8	27.0%

Notes:

1/ The number of entities in operation in the fiscal year 2017 varies with what was reported in the 2017 Annual Report, since Casa de Cambio Tiber is not considered, given that it ceased to operate and to have personnel since the end of 2016, derived from a revocation process, which concluded in 2018.

2/ Margin for liquid resources = liquid assets / liquid liabilities.

Liquid assets = availabilities + investments in securities + accounts receivable.

Liquid liabilities = short-term bank and other agencies loans + other accounts payable.

3/ Leverage = total liabilities / total assets.

4/ Capital stock yield = stockholders' equity / capital stock.

5/ ROE = Net income, twelve months flow / average stockholders' equity for the last 12 months.

6/ ROA = Net income, twelve months flow / average total assets for the last 12 months.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

Supervisory activities

During the year, follow-up and monitoring efforts were geared towards:

- Quarterly reports derived from the financial analysis, which include the evaluation of the volume of operations, follow-up of the risk of the entities, and of the main financial indicators, highlighting those relating to liquidity, profitability, and solvency.
- Review of the appropriate disclosure of information via the internet.
- Verifying the entities' operations in accordance with the regulatory framework.
- Attention to requests for opinion and consultation regarding capital increases and corporate restructuring.
- Elaboration and validation of compliance indicators.

The inspection work focused on verifying that the currency exchange offices: 1) had sufficient liquid resources to meet their immediate payment obligations, 2) reviewed the existence of systems of control for the contracting, settlement and accounting recording of foreign currency trading operations, 3) validate that the information in the accounting systems coincides with that presented in the published financial statements and the regulatory reports sent to the CNBV, and 4) ensured the correct integration of the governing bodies.

Regulated multi-purpose financing companies

Composition of the sector and current situation

At the end of 2018, the SOFOM E.R. sector was composed of 46 entities, one less than in 2017. This is because during the year, two companies were deregulated, and one was incorporated, as detailed below:

Deregulated entities

- Carterpillar Crédito (issuing company) was deregulated in November 2018, due to the change of its legal regime to SOFOM E.N.R.
- Crédito Real (issuing company), in April 2018, canceled the registration of its issue in the RNV, for which reason it ceased to be located as SOFOM E.R., in accordance with article 87-B of LGOAAC.

New regulated entities

- Arrendadora Base (an entity with a patrimonial link with Banco Base), in September 2018, the formalization of the Members Assembly of the company BI FX LOAN, S. de R.L. de C.V. was concluded, in which the adoption of the SOFOM E.R. modality was approved.

SOFOM E.R. operational information

CONCEPT	2017	2018	VARIATION	%
Number of entities in operation¹	47	46	-1	-2.1%
Linked to banks	18	20	2	11.1%
Linked to financial groups	11	10	-1	-9.1%
Issuers	16	15	-1	-6.3%
Voluntaries	1	0	-1	-100.0%
Linked to SOFIPO ²	1	1	0	0.0%

Notes:

1/ The integration of the entities linked to banks and financial groups presents a difference with respect to what was reported in 2017; due to criteria in the classification of these entities.

2/ These entities are not required to send information to the CNBV through regulatory reports.

Source: PES and the historic series available in the Information Portfolio of the CNBV.

From the total of entities that make up the sector, sixteen consolidate their figures with those of the IBMs to which they belong¹³, in accordance with the following:

COMPANIES THAT CONSOLIDATE WITH AN IBM

SOFOM E.R.	IBM
Tarjetas Banamex	Banamex
Sofom Inbursa FC Financiam	Inbursa
Santander Consumo Santander Inclusión Financiera Santander Vivienda	Santander
Financiera Ayudamos	BBVA Bancomer
Globalcard	Scotiabank
Financiera Bajío	Banco del Bajío
Banregio Soluciones Financieras AF Banregio	Banregio
Finanmadrid	CI Banco
Motus Invertere	Banco Autofin
Arrendadora Afirme	Banca Afirme
Sab Capital	Banco Sabadell
Arrendadora Base	Banco Base

It should be noted that in 2018, Arrendadora Afirme was classified as an entity linked to Banco Afirme, as opposed to 2017 when it was considered an entity linked to Afirme GF. This is because, in October 2018, Banca Afirme modified its corporate bylaws to increase its share capital, taking over the capital of the leasing company.

The activity of these entities, in general, was oriented to the granting of consumer loans (58.9% of the total portfolio), as well as commercial loans (33.8%), mainly focused on financial leasing and financial factoring, and to a lesser extent, in housing loans (7.3%). Also, in the framework of its operation, the possibility of making pure leasing and negotiating with titles and loan rights is also foreseen.

13/ From the twenty companies tied to the operating banks, only sixteen consolidate their figures.

SOFOM E.R. financial information (million MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets	806,096	783,655	-22,441	-2.8%
Investments in securities + net OVDs	19,709	14,005	-5,704	-28.9%
Total loan portfolio	694,465	692,056	-2,409	-0.3%
Commercial	265,964	233,547	-32,417	-12.2%
Consumer	393,252	407,714	14,462	3.7%
Housing	35,248	50,796	15,548	44.1%
Preventive estimates	-43,260	-43,930	-670	1.5%
Traditional deposit-taking	0	0	0	0.0%
Loan granting income¹	11,453	16,231	4,778	41.7%
Financial intermediation income	-256	-287	-31	12.2%
Results of operations	18,532	21,727	3,195	17.2%
Net income	15,638	17,256	1,618	10.3%

Notes:

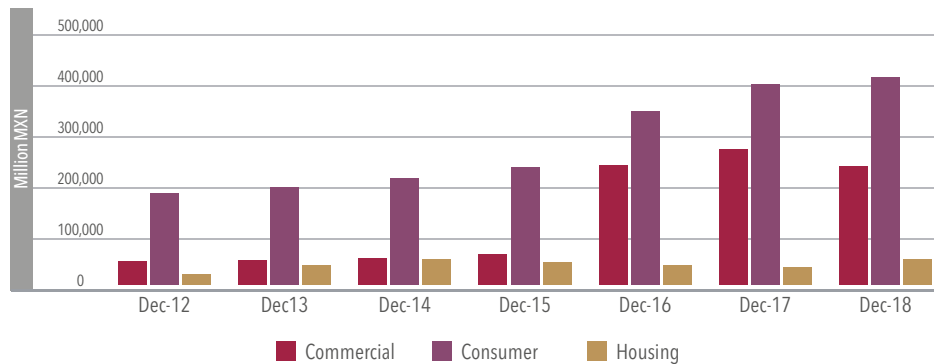
1/ Loan granting income = financial margin + commissions and fees charged - commissions and fees paid + preventive estimates - administrative and promotional expenses.

Source: CNBV, with the information provided by the entities as of April 2019.

The total assets of the companies reached \$783,655 billion MXN by December 2018, which represented a decrease of 2.8% with respect to what was reported at the close of 2017. Its main product is the total loan portfolio, which represents 88.3% of the total assets.

As can be seen, the sector has focused on the placement of consumer loans, a portfolio that had an annual increase of 3.7%. However, in 2018 highlighted the largest incursion into other markets due to the growth of the housing portfolio, which had an annual variation of 44.1%, and in contrast to the commercial portfolio, which decreased 12.2%.

Evolution of the SOFOM E.R. loan portfolio (million MXN)



Source: CNBV with the information provided by the entities as of April 2019.

SOFOM E.R financial indicators (%)

CONCEPT	2017	2018	VARIATION	%
IMOR	3.2	3.1	-0.1	-3.5%
ICOR	194.5	205.3	10.8	5.6%
EPRC/CT	6.2	6.3	0.1	1.9%
Liquidity ¹	7.1	5.8	-1.3	-18.3%
ICAP	15.59	15.50	-0.09	-0.01
Key equity / APSRT	15.56	15.47	-0.09	-0.01
Core capital / APSRT	15.59	15.50	-0.09	-0.01
Stockholders' equity / Deposit-taking total	30.3	28.9	-1.3	-4.4%
ROE, 12 months	11.6	12.2	0.7	5.9%
ROA, 12 months	2.3	2.5	0.2	8.7%
Operational efficiency, 12 months ²	0.036	0.041	0.005	12.6%
% Non-financial income / total income ³	8.9	6.4	-2.5	-28.3%
MIN ⁴	9.2	9.2	0.0	-0.1%

Notes:

1/ Liquidity = current assets / current liabilities

2/ Operational efficiency, twelve months = administrative and promotional expenses (twelve months flow) / productive assets, twelve months average.

3/ Non-financial income = operating lease result + other income + participation in subsidiaries.

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

4/ MIN = Financial margin / productive assets.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

IMOR has remained stable, with a slight downward trend. At the end of 2018, this indicator decreased by 3.5% with respect to the previous year, standing at in 3.1. Additionally, the ICOR reported an annual increase of 5.6%, from 194.5 in December 2017, to 205.3 in December 2018.

On the other hand, ICAP showed a slight decrease compared to the previous year, going from 15.59 to 15.50 percent. This is attributable to the quality of the loan portfolio.

It is worth mentioning that SOFOM E.R. that issue debt securities in their charge, registered in the RNV, are not subject to ICAP presentation, in accordance with clause V of article 87-D of the LGOAAC. These entities are subject to the CUB, only for the following matters:

- Qualification of loan portfolio and constitution of preventive estimates for loan risk.
- Disclosure and presentation of financial and external auditors' information.
- Accounting.
- Prevention of operations with resources of probable illicit origin.

Linked SOFOM E.R.

Supervisory activities

Since linked SOFOM E.R. have some financial or operational support under the framework of a financial group or IBM, their supervision is focused on the timely detection of inherent risks and promoting the healthy development of the sector. In this sense, the following supervisory actions were carried out, in order to contribute to the balanced development of the sector:

- Commercial portfolio. Supervision of the entire credit process, including the investment projects with their own source of payment, the rating of the entire commercial portfolio, and a sample of credit files

to verify their documentation and guarantees thereof. Also, the internal control of such a portfolio was also evaluated.

- Consumer portfolio. Verification of the loan origination process and the rating of all payroll, personal and automotive loan portfolios, as well as monitoring and control of portfolios in terms of harvests, impairment, and recovery strategies.
- Capitalization. Verification of compliance with regulatory limits established for ICAP, and review of the process and inputs that generate it, including 1) concepts that make up basic capital, 2) weighing of ASRC and ASRM, and 3) calculation of operational risk requirements.
- Identity theft. Follow-up of actions implemented by the entities to comply with the provisions on identity theft.

At the close of 2018, nineteen work plans were received for analysis and, if applicable, approval in 2019, to be carried out by the entities to develop mechanisms to verify identification and to perform face-to-face operations using biometric data.¹⁴

- External auditors. Revision of elements necessary to qualify as an independent auditor, as well as the evaluation of reports and working papers including 1,) sufficiency and scope of the audit, 2) procedures used to carry out the audit, 3) issuance of various communications and reports, and 4) preparation of the disclosure matrix.
- Fraud prevention and detection. Evaluation of the internal control system and sufficiency of alerts; review of the application of procedures; of guarantees; as well as the claims and events of loss reported by the entities.

Issuer and voluntary SOFOM E.R.

Supervisory activities

In 2018, the supervision of the sector was strengthened and standardized with the risk-based approach, through the preparation of institutional reports containing the strategy of the entities and of the supervision.

In this sense, the extra-situ supervision actions were carried out with the same approach, in order to verify regulatory compliance and evaluate the risks to which the entities are exposed, their control systems and the quality of their administration.

According to the actions carried out, the financial performance of these entities was followed up through the analysis of economic, financial, accounting, and corporate information, submitted in compliance with the prudential provisions applicable to them. Also, inspection visits were carried out in which the various risk-focused supervision procedures are applied.

The efforts in terms of follow-up and monitoring were geared to:

- Quarterly reports derived from the financial analysis, which include the evaluation of the volume of operations, follow-up of the risk of the entities, and the main financial indicators.
- Review of the appropriate disclosure of information via the internet.
- Following-up of entity operations and verification of compliance with regulations.

14/ Of the 26 linked SOFOM E.R., seven entities are not subject to the aforementioned provisions: two companies are undergoing corporate restructuring and five do not carry out operations with individuals.

3.4.2.6. Credit unions

Composition of the sector and current situation

As of December 31, 2018, the sector consisted of 83 operating entities, of which 71 have operation level I and the rest are at level II.¹⁵

Credit unions operational information ¹

CONCEPT	2017	2018	VARIATION	%
Number of entities in operation	88	83	-5	-5.7%
Levels of operation				
Level I	76	71	-5	-6.6%
Level II	12	12	0	0.0%
Number of authorized entities	88	83	-5	-5.7%
Total number of offices / branches	23	22	-1	-4.3%
Number of entities that sent information	84	79	-5	-6.0%

Notes:

1/ Of the 83 entities in operation, 79 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

AAs of December 2018, total assets were \$65,267 million MXN, which implied an annual increase of 5.5% compared to 2017. This was lower compared to the average growth of the last six years, 8.1%. Despite the increase in assets of the largest unions of the sector, this lower growth is explained by the decreases in the assets of three entities, the transformation to SOFOM E.N.R. of two, and three more that were revoked.¹⁶

15/ Credit unions are classified into three levels of operation according to the minimum subscribed and paid-in capital. Authorization to operate at levels II and III is filed with the CNBV in accordance with article 43 of the LUC. To perform factoring and financial leasing operations, as well as to grant financing to other credit unions, these must be authorized to operate as level II or III. In order to carry out operations as a fiduciary in guarantee trusts, they must be authorized to operate with level III.

16/ Main entities with a decrease in assets: Unión de Crédito Integral, S.A. de C.V., Unión de Crédito para la Contaduría Pública, S.A. de C.V. and Unión de Crédito El Águila, S.A. de C.V.

Entities converted to SOFOM E.N.R.: Unión de Crédito de Comercio, Servicios y Turismo de Nayarit, S.A. de C.V. and Crédito Empresarial de Juárez, S.A. de C.V., Unión de Crédito.

Revoked Entities: Unión de Crédito Agroindustrial, S.A. de C.V., Unión de Crédito Vidacredit, S.A. de C.V. and Unión de Crédito Agroindustrial del Valle de Culiacán, S.A. de C.V.

Credit unions financial information ¹ (million MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets	61,893	65,267	3,374	5.5%
N5 (%) ²	44.37	45.07	0.7	1.6%
IHH (%) ³	531	570	39	7.4%
IHH (entities) ³	19	18	-1	-7.2%
Productive assets	55,815	57,935	2,120	3.8%
Total portfolio	49,987	52,564	2,577	5.2%
Commercial	48,839	51,158	2,319	4.7%
Documented with real estate guarantee	17,087	16,610	-477	-2.8%
Documented with other guarantees	27,167	28,262	1,095	4.0%
No guarantees	4,177	5,099	922	22.1%
Factoring operations	197	890	693	351.7%
Leasing operation	210	297	87	41.6%
N5 (%) ²	44.29	44.94	0.65	1.5%
IHH (%) ³	536	577	41	7.7%
IHH (entities) ³	19	17	-2	-10.5%
Preventive estimates	1,073	1,144	71	6.6%
Total liabilities	52,246	55,037	2,791	5.3%
Liabilities to banks, members and other bodies	50,123	52,685	2,562	5.1%
Short-term	35,624	41,222	5,598	15.7%
Long-term	14,499	11,463	-3,036	-20.9%
N5 (%) ²	44.58	46.21	1.63	3.7%
IHH (%) ³	548	590	42	7.6%
IHH (entities) ³	18	17	-1	-7.1%

Notes:

1/ Of the 83 entities in operation, 79 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.

2/ N5 = Defined with the percentage share of the sector's assets, as of December 2018, of the five largest institutions: UC Ficein, UC Agricultores de Cuauhtémoc, UC Industrial y Agropecuario de la Laguna, UC Progreso and UC Alpura.

3/ IHH = a number of entities that would equally share the market.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The loan portfolio, as of December 2018, constituted 80.5% of total assets, with a balance of \$52,564 million MXN and an annual growth of 5.2% with respect to 2017. Loans documented with guarantees other than real estate made up 53.8% of the total portfolio with \$28,262 million MXN, which represented an increase of 4.0%. On the other hand, the loans documented with real estate guarantee represented 31.6% of the total loan portfolio with \$16,616 million MXN, showing a decrease of 2.8% with respect to the previous year.

Credit unions financial information ¹ (million MXN)

CONCEPT	2017	2018	VARIATION	%
Stockholders' equity	9,647	10,230	583	6.0%
Contributed capital	7,001	7,417	416	5.9%
Earned capital	2,646	2,813	167	6.3%
Net income	801	948	147	18.4%

Notes:

1/ Of the 83 entities in operation, 79 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The sector's stockholders equity of the was \$10,230 million MXN, which implied an annual growth of \$583 million MXN (6.0%). This increase derives from the growth in profits of the period and a greater capitalization of the sector.

At the end of December 2018, the credit unions had a positive net income, which stood at \$948 million MXN, 18.4% higher than that obtained in the same period of the previous year, mainly due to the increase in the financial margin and the improvement in the quality of its portfolio. Therefore, the ROE and ROA were 9.4% and 1.5%, which were in 0.3 pp and 0.1 pp higher, respectively, compared to the previous year.

Credit unions financial indicators ¹

CONCEPT	2017	2018	VARIATION	%
Main indicators (%)				
IMOR ²	2.3	2.7	0.4	16.3%
ICOR ³	94.7	81.4	-13.3	-14.1%
EPRC/CT	2.15	2.18	0.03	1.4%
ROE ⁴	9.1	9.4	0.3	3.3%
ROA ⁵	1.4	1.5	0.1	7.7%
Solvency (ICAP) ⁶	17.8	17.4	-0.4	-2.2%
Liquidity ⁷	21.4	20.4	-1.0	-4.7%
Leverage ⁸	84.4	84.3	-0.1	-0.1%
Administration and promotion expenses / Total income from the operation	23.3	22.1	-1.2	-5.1%
Net income / Total income from the operation	10.4	10.5	0.1	1.1%
Return on share capital ⁹	11.0	13.0	2.0	18.5%

Notes:

1/ Of the 83 entities in operation, 79 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector..

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

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

4/ ROE = net income accumulated in twelve months / average stockholders' equity for the last 12 months.

5/ ROA = net income accumulated in twelve months / average total assets for the last 12 months .

6/ ICAP = net capital / total risk-weighted assets.

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

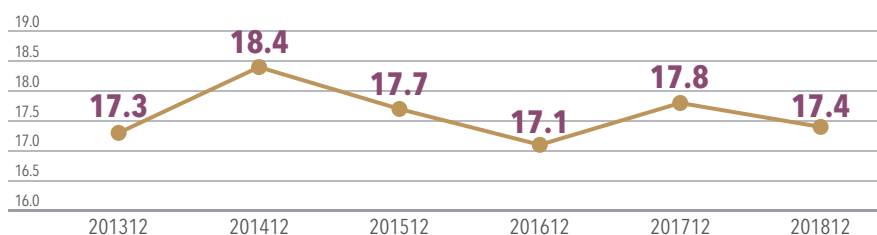
8/ Leverage = liabilities / assets

9/ Return on share capital = net income / capital stock.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date..

Evolution of the credit unions ICAP (%)

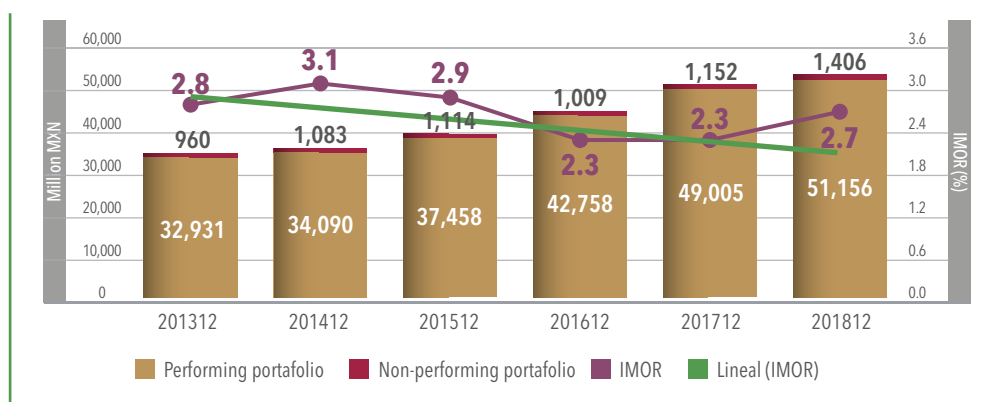


Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date..

Regarding solvency, ICAP was at levels of 17.4%, higher than the prudential minimum of 8%, which shows the solvency of the entities that make up the sector to face the risks they may encounter.

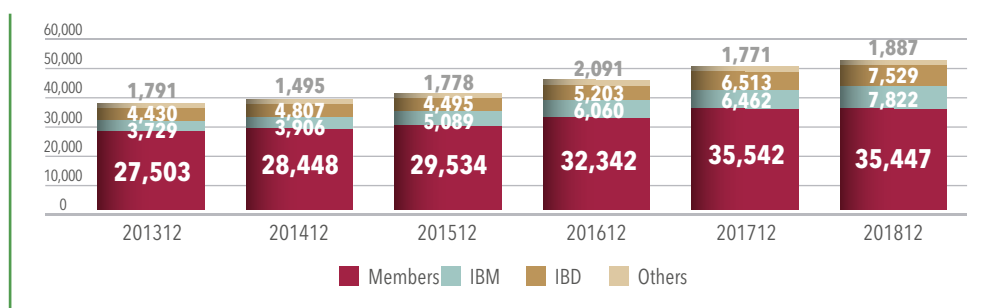
IMOR of credit unions



Source: CNBV, with the information provided by the entities as of April 2019.
Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The IMOR of the total portfolio as of December 2018 stood at 2.7% and was 0.4 pp higher than that of December 2017. Likewise, the ICOR stood at 81.4%, with a decrease of 13.3 pp. In both cases, the variations derive from the adequate accounting record of the portfolio of some entities, result of the supervision work of the Commission.

Credit unions funding (million MXN)



Source: CNBV, with the information provided by the entities as of April 2019.
Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

With respect to funding (bank, partner, and other agency liabilities), unions continue to be financed mainly by member loans, which represent 67.3% of the total funding, while the remaining 32.7% comes from credit institutions and other agencies (private funds, financial entities, decentralized bodies, foreign financial entities, and other credit unions). In this regard, funding from IBDs remains on the rise as a result of the evolution and performance of the sector.

As can be seen, the figures show a consolidated and solvent sector, which is reflected in greater funding by credit institutions and other bodies, derived from an increase in the confidence in the credit unions.

For unions with adverse financial conditions, the CNBV continues to monitor them constantly and issue corrective measures.

Supervisory activities

In addition to extra-situ supervision, which consists, among other things, of the timely analysis of financial information submitted by financial institutions, in order to determine appropriate compliance with regulatory indicators, as well as the risks to which they are exposed, 32 ordinary on-site visits and one special visit were carried out.



In addition, in the area of supervision, the following activities were identified as a priority for strengthening the sector:

- Conducting a special inspection visit to Multiopciones Unión de Crédito, S.A. de C.V., in order to be able to authorize its change of level.
- Authorization of the first issues of trust certificates of Ficein, S.A. de C.V. Unión de Crédito and of the Unión de Crédito para la Contaduría Pública, S.A. de C.V.
- Carrying out various internal efforts to standardize and strengthen the supervision of the sector, including the presentation of inspection findings to the boards of directors of the visited entities, generation of standardization bulletins, and development of work documents.
- Elaboration of a work program for the improvement of the sector's regulatory reports, which will allow including more financial information and more complete, timely, and efficient monitoring. This activity is included in the regulatory agenda. It also seeks to improve the quality and opportunity for entities to send and receive information from regulatory reports.
- Holding of meetings with CONUNION, CRUC, and representatives of the non-affiliated unions, with the aim of 1) know their concerns in matters of supervision, as well as their opinion in terms of secondary regulation projects; 2) to analyze and channel diverse consultations on normative and accounting topics, and 3) to detect training requirements..
- Quarterly meetings with the sector's most representative entities, with the aim of strengthening communication and understanding of the supervisory tasks.

3.4.2.7. Popular finance

The popular finance sector provides financial services to the economic and popular sectors, not served by traditional banking, thus giving an alternative of financial inclusion. In order to provide adequate protection to users who save in the institutions that make up the sector, the Commission has strengthened supervision mechanisms and has promoted schemes to attend in a timely manner to those entities in trouble.

Saving and loan cooperatives

Composition of the sector and current situation

At the close of the fiscal year 2018, the sector consisted of 157 authorized companies. During the period two companies were revoked, the authorizations of two others were rendered null and void, one was merged, and four were incorporated¹⁷.

Regarding the situation of the merged entity (Redfin S.C. de A.P. de R.L. de C.V.), it should be noted that on July 14, 2018, an extraordinary general meeting was held in which a merger agreement was approved with Caja Popular La Providencia, S.C. de A.P. de R.L. de C.V. (merging entity), which became effective on November 1, 2018. Therefore, and given that the authorization granted to Redfin is non-transferable and must become extinguished, the Board of Governors of the CNBV will agree, for declaratory purposes only, that said authorization will be without effect.

SOCAP operational information

CONCEPT	2017	2018	VARIATION	%
Number of entities in operation ¹	156	156²	-	0.0%
Level I	53	50	-3	-5.7%
Level II	62	63	1	1.6%
Level III	41	42	1	2.4%
Level IV	1	1	-	0.0%
Number of authorized entities	157	157	-	0.0%
Total number of offices / branches	1,987	2,087	100	5.0%
Level I	175	184	9	5.1%
Level II	396	445	49	12.4%
Level III	1,372	1,413	41	3.0%
Level IV	44	45	1	2.3%
Number of entities that sent information	155³	156	1	0.6%

Notes:

1/ SOCAPs are classified into four levels of operation as established in articles 18 and 19 of the LRASCAP.

2/ One SOCAP (Redfin) was merged during the last quarter of 2018 and was therefore not in operation.

3/ One SOCAP carried transferred assets and liabilities and therefore did not submit information at the end of the year.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

At the end of December 2018, total assets were \$154,036 billion MXN, an increase of 15.8% over the previous year. This was due, among other aspects, mainly to a growth of 14.9% of the traditional deposit-taking, located in \$122,990 million MXN on the same date.

17/ Revoked entities: Caja Solidaria Huejuquilla, SC de AP de RL de C.V. and Caja Solidaria Ayotl, SC de AP de RL de C.V.

Entities whose authorizations were rendered null and void upon completion of merger processes with other companies: Caja Popular Río Presidio, SC de AP de RL de C.V. and Caja Santa Rosa, SC de AP de RL de C.V.

Entities authorized to continue performing savings operations: Cooperativa Suljaa, SC de AP de RL de C.V., Caja Solidaria Nuevo Ideal, SC de AP de RL de C.V., Caja Gonzalo Vega, SC de AP de RL de C.V. and Caja Popular Ciudad Hidalgo, SC de AP de RL de C.V.

SOCAP financial information (million MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets	133,006	154,036	21,030	15.8%
N5 (%) ¹	53.5	52.9	-0.6	-1.1%
IHH (%)	1,361.0	1,370.7	9.7	0.7%
IHH (entities) ²	7.35	7.30	-0.05	-0.7%
Productive assets	124,885	144,720	19,835	15.9%
Total portfolio	82,095	95,001	12,906	15.7%
Commercial	8,958	10,883	1,925	21.5%
Consumer	67,438	76,939	9,501	14.1%
Housing	5,699	7,180	1,481	26.0%
N5 (%) ¹	54.21	52.61	-1.6	-3.0%
IHH (%)	1,484.7	1,442.4	-42.3	-2.9%
IHH (entities) ²	6.7	6.9	0.2	2.9%
Preventive estimates	4,480	5,083	603	13.4%
Traditional deposit-taking	106,998	122,990	15,992	14.9%
N5 (%) ¹	53.5	52.8	-0.7	-1.2%
IHH (%)	1,395.1	1,403.4	8.2	0.6%
IHH (entities) ²	7.17	7.13	-0.04	-0.6%
Stockholders' equity	22,633	27,006	4,373	19.3%
Investments in securities	37,998	43,271	5,273	13.9%
Total investment portfolio	46,323	53,801	7,478	16.1%
Debtors under repurchase agreements	8,324	10,530	2,206	26.5%
Mafar ³	11,170	12,960	1,790	16.0%
Administration and promotion expenses	8,824	10,088	1,264	14.3%
Net income	3,191	3,962	771	24.2%
Property, furniture, and equipment	4,143	4,896	753	18.2%
N5 (%) ¹	37.24	40.45	3.21	8.6%
IHH (%)	733.8	814.7	80.9	11.0%
IHH (entities) ²	13.6	12.3	-1.4	-9.9%

Notes:

1/ N5 = Defined with the percentage share of the sector's assets, as of December 2018, of the five largest institutions: Caja Popular Mexicana, with 34.4%; Caja de Ahorro de los Telefonistas, with 11.2%; Caja Morelia Valladolid, with 3.0%; Coopdesarrollo, with 2.3% and Caja Real del Potosí, with 1.9 percent.

2/IHH (entities) = number of entities that would equally share the market

3/ Financial margin adjusted for loan risks

Source: CNBV, with the information provided by the entities as of April 2019. Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The investments in securities and repurchase transactions (total investment portfolio) totaled \$53,801 million MXN, an increase of \$7,478 billion MXN (16.1%). This represents altogether 34.9% of the sector's total assets, being the second most important item in the balance sheet, after the loan portfolio. It is worth mentioning that the main growth was in investments through bank debt (\$4,864 million MXN).

SOCAP financial indicators

CONCEPT	2017	2018	VARIATION	%
Main indicators (%)				
IMOR ¹	4.303	4.297	-0.006	-0.1%
ICOR ²	126.8	124.5	-2.3	-1.8%
EPRC/CT	5.46	5.35	-0.11	-2.0%
ROE ³	15.2	15.9	0.7	4.6%
ROA ⁴	2.5	2.7	0.2	8.9%
Solvency (Nicap) ⁵	283.3	286.1	2.8	1.0%
Liquidity	38.0	39.7	1.7	4.5%
Leverage ⁶	83.0	82.5	-0.5	-0.6%
Administration and promotion expenses / Total income of the operation ⁷	50.9	49.2	-1.7	-3.4%
Net income / Total income of the operation	18.4	19.3	0.9	5.0%
Return on share capital	36.7	41.7	5.1	13.9%
N5 concentration index ⁸ (%)				
Total portfolio	54.2	52.6	-1.6	-3.0%
Commercial	15.3	12.8	-2.5	-16.5%
Consumer	59.5	58.2	-1.3	-2.1%
Housing	53.18	53.15	-0.03	-0.1%
HHI concentration index (million MXN)				
Total portfolio	1,484.7	1,442.4	-42.3	-2.9%
Commercial	349.4	328.7	-20.7	-5.9%
Consumer	1,958.4	1,895.3	-63.1	-3.2%
Housing	970.9	1,155.3	184.3	19.0%
HHI concentration index ⁹ (entities)				
Total portfolio	6.7	6.9	0.2	2.9%
Commercial	28.6	30.4	1.8	6.3%
Consumer	5.1	5.3	0.2	3.3%
Housing	10.3	8.7	-1.6	-16.0%

Notes:

1/ IMOR = Non-performing portfolio / total portfolio (performing + non-performing).

2/ ICOR = Preventive estimates for loan risks / non-performing portfolio.

3/ ROE = Net income accumulated (twelve months) / average stockholders' equity for the last 12 months.

4/ ROA = Net income accumulated (twelve months) / average total assets for the last 12 months.

5/ Capitalization Level (Nicap) = Net capital / capital requirements for risks.

6/ Leverage = total liabilities / total assets.

7/ Total income = interest income + commissions receivable + operating income + other operating income.

8/ N5 = Defined with the percentage share of the sector's assets, in December 2018, the five largest institutions: Caja Popular Mexicana, with 34.4%; Caja de Ahorro de los Telefonistas, with 11.2%; Caja Morelia Valladolid, with 3.0%; Coopdesarrollo, with 2.3% and Caja Real del Potosí, with 1.9 percent.

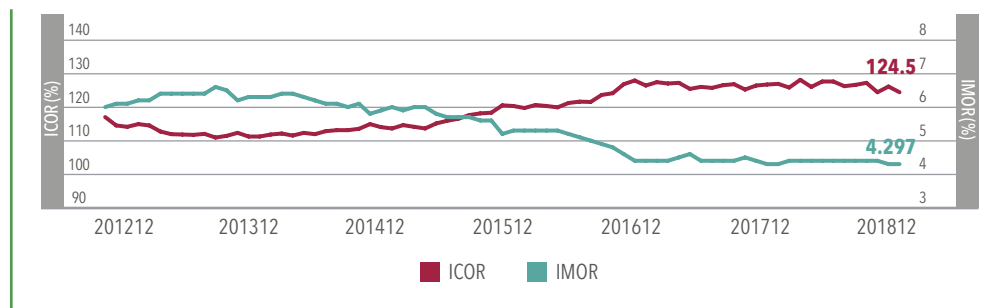
9/ IHH (entities) = Number of entities that would equally share the market.

Source: CNBV, with the information provided by the entities as of April 2019.

Figures may vary with respect to Annual Report 2017, due to resubmissions and reprocessing of information as of the cut-off date.

The total portfolio increased \$12,906 million MXN compared to 2017, standing at \$95,001 million MXN at the close of 2018, which accounts for an increase of 15.7% in annual terms. It is important to highlight that the delinquency index is comparable to that registered during 2017, with an IMOR of 4.3%. This derived from the implementation of operating practices that have reasonably mitigated loan risk in the sector. Additionally, a more balanced distribution is observed in the different types of the loan portfolio, given that the commercial and the housing portfolios had increases of 21.5% and 26.0%, respectively, contrasting with the 14.1% increase in the consumer portfolio.

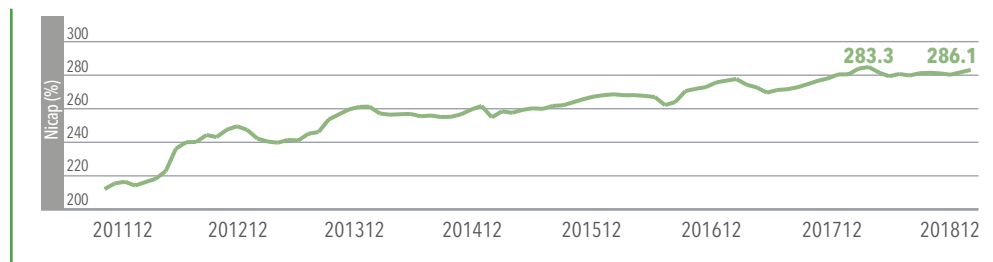
ICOR and IMOR of SOCAP



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

Stockholders' equity was \$27,006 million MXN. This represented an increase of 19.3% with respect to the closing of 2017, mainly due to earned capital, which contributed 82.1% of the mentioned increase, supported mainly by the generation of income from the loan portfolio. Therefore, the Nicap of the sector was 286.1% as of December 2018, 2.8 pp higher than the one reported at the end of the previous year.

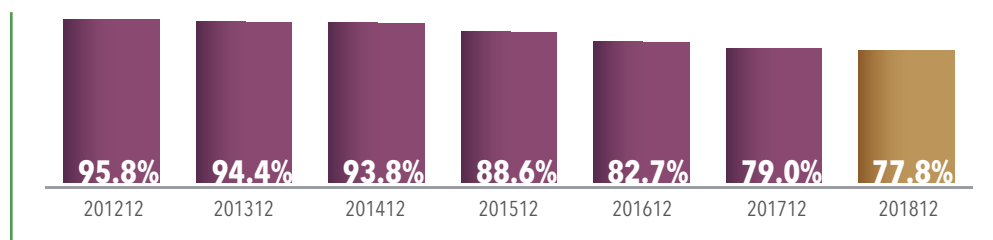
Level of capitalization of SOCAP (%)



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

On the other hand, the indicator of administrative expenses with respect to Mafar went from 79.0 to 77.8% with respect to 2017, highlighting that only 68.4% of the authorized SOCAP presented an improvement in the optimization of their spending levels.

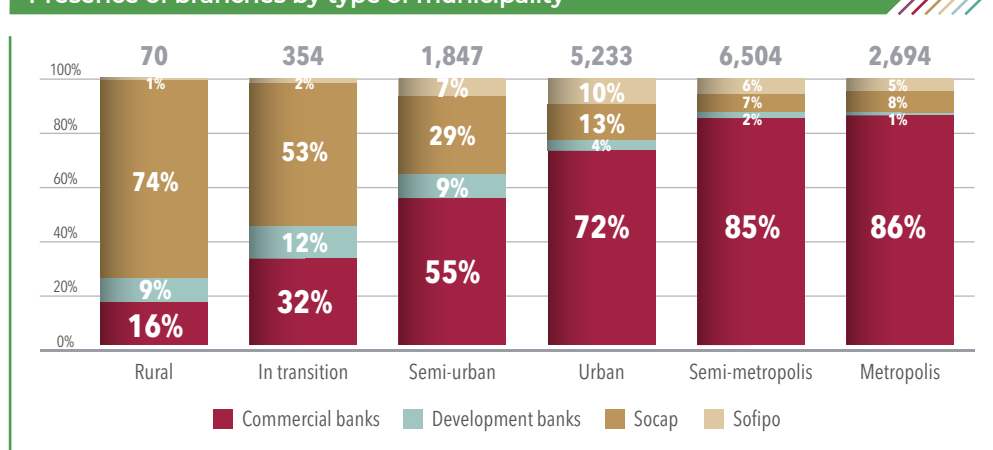
SOCAP administrative expenditure (% of Mafar)



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

In terms of financial inclusion, SOCAPs make an important contribution in rural and semi-urban areas, though branches that meet the demand for financial products and services and improve the economic situation and quality of life of those segments of the population that are not served by traditional banking.

Presence of branches by type of municipality



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

Supervisory activities

In addition to the inspection visits, various monitoring tasks were carried out to verify compliance with applicable regulations and the healthy development of the authorized SOCAPs.

In this sense, in order to correct the observations detected in the inspection and monitoring activities, corrective programs were established on aspects of internal control, loan process and risk management, preparation and generation of financial information, capitalization levels, preventive estimates for loan risks and foreclosed assets, profitability and operating expenses, as well as liquidity level. In addition, due attention was paid to these corrective measures, and the general evolution of the sector's entities was monitored.

The following activities were carried out as a result of the supervisory work:

- Notification to authorized SOCAPs of observations on critical impact factors affecting their profitability, such as loan process, risk management, internal control, and operating expense.
- Meetings and workshops with the supervisors of the Focoop Auxiliary Oversight Committee to strengthen supervision, avoid duplication, and generate economies of scale in resources resulting in better surveillance and more timely detection of entities risks.
- Progress in the process of regularization of the sector, so that the members of these companies operate in regulated and supervised entities, and can have a greater offer of financial products and services for individuals and companies with null or marginal attention by credit institutions.
- Implementation of various strategies, in collaboration with the Fund for the Strengthening of Savings and Loan Cooperatives and Companies and for Support to their Savers (Fipago), in order to find an orderly exit of the SOCAPs that did not obtain authorization from the CNBV to join the sector and facilitate the absorption of the savers by authorized entities.

At all times, the aim was to minimize the impact on members' assets and to preserve the supply of financial services in the communities.

- Strengthening of the Focoop's deposit insurance through contributions made by the new authorized SOCAPs. The balance, as of December 31, 2018, was \$17,631 million MXN.

- Participation in various events organized by government institutions and non-governmental organizations representative of SOCAPs, to publicize the usefulness and importance of prudential regulation and regularization of the sector.
- Basic level SOCAP evaluation and follow-up. With the results obtained, the entities that may continue to carry out savings and loan operations will be determined due to the timely presentation to the Auxiliary Supervision Committee of the Focooop of financial information, having the required quality level and having the required minimum capitalization and preventive estimates for loan risks, as well as those that must suspend said operations and be liquidated.
- Publication on the CNBV portal of the category corresponding to the level of capitalization of each of the SOCAPs in the sector. This, together with the supervision work and the willingness of the entities, has made it possible to foresee and act opportunely on possible events that may generate losses in assets of the SOCAPs members. In that sense, in 2018, three mergers were implemented, which allowed 25,050 members to keep their savings and financial services.
- Attention to 28 queries clarifying the legal and regulatory situation of the entities, in order to contribute to the exercise of legal actions carried out by judicial authorities and defrauded individuals, against possible irregular deposit-takers.
- Promotion, through acts of authority, for authorized SOCAPs to use the services of the SICs in order to: 1) consult and report information regarding the payment behavior of their borrowers, and 2) incorporate such information into the granting process as an input for the analysis of the payment capacity. This has made it possible to maintain reasonable levels of delinquency in the sector.
- Monitoring of adequate transparency and disclosure of financial information.



Popular financing companies

The SOFIPOs are entities constituted as corporations of variable capital, oriented to foment the popular saving and loan, between clients and the public in general of economic and social sectors that are not attended by other financial intermediaries.

They are also supervised by the CNBV and in an auxiliary way by the federations, which are institutions of public interest, with legal personality and their own patrimony.

Composition of the sector and current situation

At the end of December 2018, there were 39 entities in operation with total assets of \$32,035 billion MXN and more than 3.8 million clients.

During the year, actions were taken to strengthen and consolidate the sector. These resulted in the revocation of the authorization of five companies: three that did not carry out operations and two for non-compliance with regulations¹⁸.

SOFIPO operational information ¹

CONCEPT	2017	2018	VARIATION	%
Number of entities in operation ²	44	39	-5	-11.4%
Level I	31	26	-5	-16.1%
Level II	7	6	-1	-14.3%
Level III	5	6	1	20.0%
Level IV	1	1	0	0.0%
Number of authorized entities	46	41	-5	-10.9%
Number of clients	3,983,072	3,899,662	-83,410	-2.1%
Total number of offices / branches	1,213	1,165	-48	-4.0%
Level I	238	247	9	3.8%
Level II	391	139	-252	-64.5%
Level III	387	586	199	51.4%
Level IV	197	193	-4	-2.0%
Number of entities that sent information	44	35	-9	-20.5%

Nota:

1/ Of the 39 entities in operation, 35 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.

2/ SOFIPO are classified into four levels of operation, as established in article 32 of the LACP; depending on the level of operation assigned to them, they may carry out the operations indicated in article 36 of the same Law, highlighting, among others, the purchase and sale of foreign currency, the issuance, and operation of debit cards and reloadable cards, for all levels; carrying out financial factoring operations, starting at Level II; acting as trustee in guarantee trusts, starting at Level III; and, issuing credit titles, issuing credit cards, and acting as common representative of the holders of credit titles, exclusively for Level IV

Source: CNBV, with the information provided by the entities by April 2019.

Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

As a result of the consolidation of the sector, there was a decrease in total assets and liabilities and the net income of the sector of 5.8, 7.4, and 36.3 percent, respectively. Likewise, the five main entities presented an increase in their level of assets, portfolio, and deposit-taking.

18/ The revoked entities were: Devida Hipotecaria, S.A. de C.V., S.F.P., Sociedad Financiera de Crédito Popular Nacional S.A. de C.V., S.F.P., Batoamigo S.A. de C.V., SFP, Proyecto Coincidir, S.A. de C.V., S.F.P. and La Perseverancia del Valle de Tehuacán, S.A. de C.V., S.F.P.

SOFIPO financial information ¹ (million MXN)

CONCEPT	2017	2018	VARIATION	%
Total assets	33,992	32,035	-1,957	-5.8%
N5 (%) ²	64.08	70.10	6.02	9.4%
IHH (%)	1,461	1,726	265	18.1%
IHH (entities) ³	6.84	5.79	-1.05	-15.3%
Productive assets	26,806	25,953	-853	-3.2%
Total portfolio	25,269	24,098	-1,171	-4.6%
Commercial	12,762	12,113	-649	-5.1%
Consumer	12,271	11,845	-426	-3.5%
Housing	236	140	-96	-40.6%
N5 (%) ²	65.7	69.3	3.6	5.5%
IHH (%)	1,809	2,079	270	15.0%
IHH (entities) ³	5.5	4.8	-0.7	-13.0%
Total loan portfolio plus guarantees	25,319	24,152	-1,167	-4.6%
Total loan portfolio plus guarantees and endorsements	25,947	24,593	-1,354	-5.2%
Preventive estimates	2,446	2,456	10	0.4%
Traditional deposit-taking	21,062	19,729	-1,333	-6.3%
N5 (%) ²	69.4	75.7	6.3	9.0%
IHH (%)	2,051	2,458	407	19.8%
IHH (entities) ³	4.9	4.1	-0.8	-16.5%
Investment in securities	3,715	3,403	-312	-8.4%
Total investment portfolio	4,145	4,071	-74	-1.8%
Debtors under repurchase agreements	430	668	238	55.4%
Net income	244	156	-88	-36.3%
Property, furniture, and equipment	2,228	2,003	-225	-10.1%
N5 (%) ²	68.3	77.1	8.8	12.8%
IHH (%)	1,526	1,674	148	9.7%
IHH (entities) ³	6.6	6.0	-0.6	-8.9%
Total portfolio	65.7	69.3	3.6	5.5%
Commercial	65.9	68.5	2.6	4.0%
Consumer	65.9	70.1	4.2	6.4%
Housing	40.0	69.7	29.7	74.4%
Total liabilities	27,370	25,339	-2,031	-7.4%
Stockholders' equity	6,621	6,696	75	1.1%
Earned capital	537	917	380	70.6%
Contributed capital	6,084	5,780	-304	-5.0%
Interest gained	9,679	10,348	669	6.9%
Interest expenses	1,591	1,666	75	4.7%
Financial margin	8,087	8,681	594	7.3%
Preventive estimates for loan risks of results	2,030	2,174	144	7.1%
Net income	244	156	-88	-36.3%

Notes:

1/ 1 Of the 39 entities in operation, 35 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.

2/ N5 = Defined as the percentage share of the sector's assets in December 2018 of the five largest companies: Libertad, CAME, Te creemos, Akala, and Fincomún.

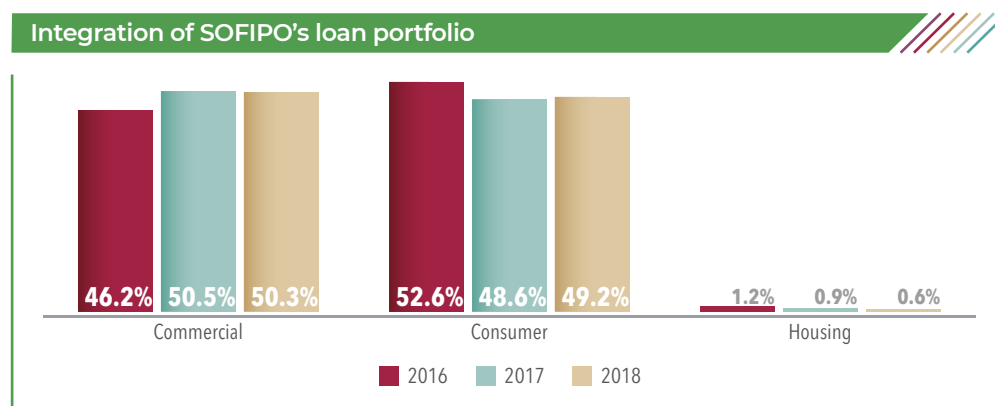
3/ IHH (entities) = number of entities that would equally share the market.

Source: CNBV, with the information provided by the entities by April 2019.

Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

The total loan portfolio, as of December 2018, constituted 75.2% of the total assets of the sector, with a balance of \$24,098 million MXN; in this aspect, the following stand out:

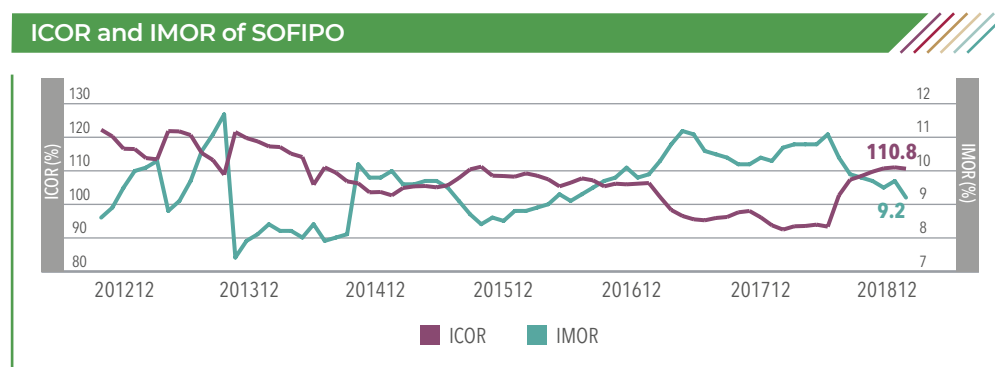
- Despite the decrease of 4.6% of the loan portfolio, there is an increase of 6.9% in interest income compared to 2017, accompanied by an increase of 7.1% in the preventive estimates for loan risks.



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

The decrease in the loan portfolio is accompanied by lower non-performing portfolio indicators than those recorded during 2017, reflecting an IMOR of 9.2%, and an increase in the ICOR of 17 pp.

Although the IMOR remains stable and within the usual range of the sector, this indicator is higher than that presented by other sectors supervised by the Commission, so its reduction will, therefore, be sought.



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

The consolidation of SOFIPO also had an impact on the ROA and ROE indicators, which decreased by 1.5 and 0.3 pp, respectively.

SOFIPO financial indicators ¹

CONCEPT	2017	2018	VARIATION	%
Main indicators (%)				
IMOR ²	10.3	9.2	-1.1	-10.9%
ICOR ³	93.8	110.8	17.0	18.2%
EPRC/CT	9.7	10.2	0.5	5.3%
ROE ⁴	3.8	2.3	-1.5	-40.3%
ROA ⁵	0.8	0.5	-0.3	-38.1%
Solvency	19.5	20.9	1.4	7.3%
Liquidity ⁶	51.7	46.8	-4.9	-9.6%
Leverage ⁷	80.5	79.1	-1.4	-1.8%
Adequacy to Capital Requirement (Nicap) ⁸	208.7	226.7	18.1	8.7%
Administration and promotion expenses / total income of the operation	59.3	60.3	1.0	1.6%
Net income / total income of the operation	2.3	1.3	-1.0	-42.0%
Return on share capital ⁹	4.0	2.7	-1.3	-33.0%
Securities of client received in custody	7,103	764	-6,339	-89.2%
Trust securities	13	11	-2	-18.8%
Others	9,680	11,469	1,789	18.5%
HHI concentration index (million MXN)				
Total Portfolio	1,808.5	2,079.5	271.0	15.0%
Commercial	1,200.5	1,433.9	233.5	19.4%
Consumer	4,378.0	4,177.6	-200.4	-4.6%
Housing	3,094.5	4,791.3	1,696.8	54.8%
HHI concentration index (entities) ¹⁰				
Total portfolio	5.5	4.8	-0.7	-13.0%
Commercial	8.3	7.0	-1.4	-16.3%
Consumer	2.3	2.4	0.1	4.8%
Housing	3.2	2.1	-1.1	-35.4%

Notes:

- 1/ Of the 39 entities in operation, 35 are considered to have provided information in a timely manner, in accordance with the general provisions applicable to the sector.
- 2/ IMOR = non-performing / total portfolio (performing + non-performing).
- 3/ ICOR = Preventive estimates for loan risks / non-performing portfolio.
- 4/ ROE = Net income accumulated (twelve months) / average stockholders' equity for the last 12 months.
- 5/ ROA = Net income accumulated (twelve months) / average total assets for the last 12 months.
- 6/ Liquidity = Availabilities + investment in securities / Short-term liabilities.
- 7/ Leverage = liabilities / assets.
- 8/ Adequacy to Capital Requirement = net capital / capital requirements for risks.
- 9/ Return on share capital = net income / share capital
- 10/ HHI (entities) = number of entities that would equally share the market.

Source: CNBV, with the information provided by the entities by April 2019.

Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

These advances in the sector's performance have been accompanied by levels of capitalization that are above regulatory requirements and international parameters. At the end of 2018, Nicap was 226.7%, 18.1 pp higher compared to 2017.

Evolution of the level of capitalization of SOFIPO (%)



Source: CNBV, with the information provided by the entities by April 2019.
Figures may vary in relation to the 2017 Annual Report, due to the resending or reprocessing of information at the cut-off date.

Supervisory activities

During 2018, actions were taken to strengthen the sector in order to ensure its stability and proper functioning in the protection of public interests. In this sense, the acts of supervision to the SOFIPO were focused on evaluating the risks to which the entities are subject, their control systems and the quality of their administration, in order to monitor that they maintain an adequate liquidity, are solvent and stable, adjusting to the dispositions that govern them, as well as the uses and healthy practices of financial markets.

Among the main supervisory activities carried out are the following:

- Analysis of the economic, financial, accounting, and corporate information of the entities, as well as the evaluation of their liquidity, solvency, and financial stability.
- Review of the quality of the assets, internal control systems, risk management, and information, as well as the organization and profitability of the entities.
- Verification of capitalization levels and, where appropriate, follow-up of compliance with the capital conservation or restoration plan.
- Preparation of periodic reports of financial analysis of each of the companies, in order to monitor their financial situation and corroborate the congruence between their business models and their strategies, plans, and budget development.
- Issuance of official requests for information to entities in order to present data, reports, records, documents, correspondence, and in general, the information necessary to carry out inspection and monitoring activities.
- Formulation of observations or corrective actions and measures derived from the detection of elements from which facts, acts, or omissions may be derived that imply the probable non-compliance with the applicable provisions or sound practices.
- Promotion of preventive measures to avoid entities incurring risks that limit or compromise their solvency or viability.
- Analysis of the integration of deposit-taking by investment ranges, in order to evaluate concentrations of deposits with high amounts in some companies and the percentage of coverage that could grant them, if any, the deposit insurance offered by the Protection Fund.
- Execution of ordinary visits to review the credit processes, with the purpose of making transparent the quality of portfolios, the correct rating, and the adequate provisioning of reserves for loan risks. Also, review of other aspects such as deposit-taking, correct calculation of Nicap, the profitability of companies, liquidity levels, implantation of the internal control system, and comprehensive risk management.

3.4.2.8. Investment advisors

The CNBV regulates and supervises any persons who, without being intermediaries in the securities market, routinely and professionally provide securities portfolio management services and provide securities investment advice, analysis, and issuance of investment recommendations on a case-by-case basis. These individuals are required to register with the Commission as investment advisors. Therefore in 2018, 22 new advisors were registered, of which seven are individuals, twelve are independent legal entities, and three are non-independent legal entities..

On the other hand, considering the importance of investment advisors within the financial system, and as part of the supervision process of that sector, inspections visits were made to one natural person and four to legal persons.

Additionally, as a result of this supervision, possible infringing conduct was detected for the provision of investment services, reserved for investment advisors, by persons who are not registered with the CNBV. As a result of the review, the need for a more detailed information analysis was determined. If necessary, a technical opinion will be issued, which is currently being drafted.

3.4.2.9. Credit information bureaus (SICs)

SICs are entities authorized to offer information and other services related to the credit history of natural and legal persons, through the collection, handling, delivery or sending of information related to the credit history of each person, which is provided by credit grantors.

The main benefits of SICs are:

- Credit grantors have more information, which allows them to identify the behavior of the borrowers, rate them, and offer more competitive interest rates.
- With the information generated by the SICs, credit has been granted in a more secure manner.
- Clients are encouraged to engage in a healthy credit behavior, to the benefit of their credit history.

Currently, three SICs²⁰ operate in the financial system, whose constitution and operation are regulated by the Law to Regulate Credit Information Bureaus (LRSIC), and which are supervised by the SHCP, CNBV, Banxico, CONDUSEF and the Procuraduría Federal del Consumidor (Profeco).

The Commission also supervises financial entities as users of SICs, which provide information or make inquiries to the latter. At the end of 2018, there were 394 user entities²⁰.

Supervisory activities for SICs and their users

- Five ordinary inspection visits to users and a SIC.
- Consultation on the credit histories of more than 2,065 people that were proposed as advisors and executives of financial entities, with the aim of the CNBV having sufficient elements to verify that the people who participate in the financial system comply with the requirement of having a satisfactory credit history.
- Issuance of observations and requests for information, derived from the audits carried out by the SICs to verify that the financial entities granting credit have requested the client's authorization to consult his

19/ Círculo de Crédito, S.A. de C.V., Trans Unión de México, S.A., and Dun & Bradstreet, S.A. The latter two operate jointly under the brand name Buro de Crédito.

20/ Entities using the SICs: IBM, IBD, credit unions, SOCAP, SOFOM E.R., SOFIPO, public trusts of economic, financial promotion and promotion bodies.

credit history. This due to the detection of events in which some financial entities may have omitted to request such authorizations.

- Authorization of the operating Manual to a SIC, which contains the procedures that allow it to verify that the information on credit operations received from its users complies with the requirements requested to be integrated into its database. It was also authorized as per the Manual for the elimination of information on credit operations received from its users, for complying with article 23 of the LRSIC.
- Identification of a group of people who created credit-granting companies, complying with all the legal requirements to be able to be SIC users, and who integrated fictitious information to the database of the companies themselves.

It was possible to detect this fact in collaboration with the banks and the companies involved.

Once this fact was analyzed, actions were taken to mitigate the risk of this sector, among which the following stand out:

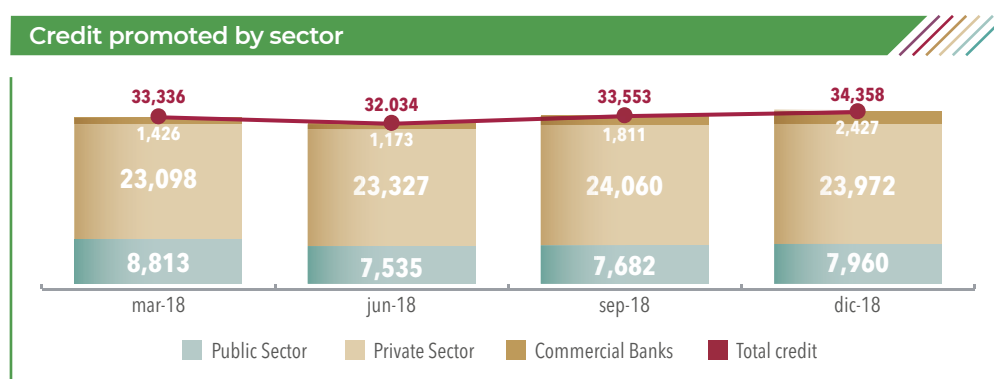
- » The SICs removed 25 users from their databases who showed this type of behavior.
- » The authentication processes of users who provide information on their credit operations to the SICs were reinforced.
- » The special credit report of the potential user was integrated. This implies that authorization is required to consult and issue said reports from the company, as well as from its legal representative and shareholders.
- » The CNBV requested information regarding the process implemented by the SICs to verify that they have authentication systems and processes to validate the user's identity.

3.4.2.10. Representative offices of foreign financial entities

Bank representative offices

There are 39 representative offices of banking entities from fifteen countries, according to that established under article 7 of the LIC, whose main activity is the promotion of credit of their represented entities. During 2018, four entities were revoked at the request of one of the parties.

The credit granted by foreign financial entities, as a result of the promotion of their representative offices, was placed mainly in the private sector. For this reason, resources were channeled to productive activities such as the automotive and manufacturing industries.



Supervisory activities

In 2018, efforts in the area of monitoring representative offices of foreign financial institutions were focused on reviewing regulatory compliance in the matter of periodic reporting, as well as the preparation of the quarterly report on the sector. In terms of inspection, supervisory actions were focused on the performing of 24 ordinary inspection visits.

Representative offices of brokerage firms

At the close of 2018, the sector of representative offices of foreign financial entities of brokerage firms was integrated by two entities. Their operation is focused on managing and carrying out administrative procedures related to the placement of securities of domestic issuers abroad, in which its represented company intends to intervene.

During the reporting period the activities carried out in the national territory were followed up through the representative offices. This was done in accordance with the information sent to the CNBV, in compliance with the applicable provisions.

3.4.2.II. Participants in payment system networks

Currently, the need to purchase goods and services immediately anywhere in the world has increased the number of card payments, including purchases in small stores or payments to individuals. In Mexico, during the last year, there was an 18.53% increase in the use of debit cards and a 24.25% in credit cards. Users have opted for the use of the card in their transactions with smaller businesses, leading to a decrease in the amount of the purchases to an average of \$540 MXN per transaction. The growth of the card payment network requires a timely follow-up so that its development is orderly and secure for all participants, including the end-user.

The purpose of the supervision of the sector of participants in payment system networks is to review compliance with the LTOSF and the provisions emanating from it. This is done in order to ensure the transparency, efficiency of the payment system, and protection of the interests of the public.

At the end of the year, the sector was integrated as follows:

Participants in the card payment network by function, December 2018

Relevant participants	No. of participants
Issuers	86
Specialized companies	9
Acquirers	21
Aggregators	33
Brand owners	3
Total number of participants	127

Note:

A participant may perform more than one activity, so the sum by category may not match the total number of participants.

Source: CNBV.

During 2018, two aggregators and one issuer were integrated into the card payment network. In addition, a specialized company, an aggregator, and an issuer ceased operating.

Supervisory activities

- In order to ensure the healthy development of the payment network, the CNBV has taken on the task of working with different participants to understand their needs and develop a joint agenda with Banxico, in order to strengthen the General provisions applicable to the networks of means of disposal. Work is currently underway with Banxico on a regulatory project of new provisions that will integrate improvements to it, strengthening the approach to the supervision of network participants.
- In 2018, six ordinary inspection visits were made to three participants engaged in issuer and acquirer activities, to a specialized company, to an aggregator, as well as to an aggregator that also engages in acquirer activities. As a result of these inspections acts, 38 observations and eighteen recommendations were determined.
- As a result of monitoring acts, 31 observations were made to different participants in the card payment network, which were issued mainly for non-compliance in the delivery of information of the 3rd and 11th articles of the General provisions applicable to the networks of means of disposition.
- The CNBV continues with its participation in the Program to Promote Electronic Means of Payment, which was instituted in 2017. The main axes of analysis of this program are security, innovation, financial inclusion, and user protection, among others.

In this regard, work is underway on various initiatives derived from studies carried out by Visa, MasterCard, and the ABM to implement measures to increase the use of electronic means of payment (MOP). These studies identified the main barriers preventing the growth of acceptance, use, and penetration of MOP.



3.4.3. Specialized supervision

3.4.3.1. Operational and technological risk

During 2018, 45 inspection visits were carried out in the area of operational and technological risk, of which 26 were of ordinary inspection visits (78% corresponded to technological risk supervision, 15% to operational risk revision, and 7% to both operational and technological risk supervision); eleven of special inspection visits, five investigation visits; two verification visits; and one diagnostic visit to start operations in the area of technological risk:

- The technological risk visits consisted in the revision of contingency plans, computer auditing, information security, computer and telecommunications center infrastructure, as well as systems development, among other topics.
- The operational risk visits focused mainly on 1) the evaluation of operational risk units and their coordination with other business and support units, 2) the documentation and mapping of processes, management methodologies, control, administration and measurement of operational risks, and 3) the schemes for calculating the capital requirement for operational risk.
- In addition, special follow-up was given to visits to entities that presented some incidents of loss of information, as well as the remediation of important deficiencies referring to the management of operational and technological risks.
- In July 2018, prior to the start of BIVA's operations, a special inspection visit was carried out in order to identify and evaluate technological risk controls in place, as well as the strategy and resources available to give continuity to its operation in the event of a contingency.
- Likewise, special visits were made to two new IBMs from abroad, prior to the start of operations, in order to review controls related to computer auditing, information technology management, computing and telecommunications center infrastructure, business continuity plan and computing security.

The following issues were addressed regarding authorization procedures or requests:

- Requests from credit institutions with respect to the contracting of services in the area of computer systems, databases, and operating processes with third parties, as well as commission agents to carry out banking operations in stores. A total of 1,279 procedures were handled.

In this regard, the following stand out: 1) the revisions work plans of the entities to develop mechanisms to verify the biometric identity of persons who contract or carry out operations for the prevention of identity theft, in order to comply with the provisions, no later than March 2020, and 2) the attention to relevant issues of migration of central infrastructure due to updates and technological renewals of financial entities.

- Authorization of the use of the alternative standard method for the calculation of the capital requirement for operational risk for two entities. Only one entity submitted its notification for the use of the standard method.
- Issuance of favorable opinion on technological risk for the conformation and start of operations of the first electronic mechanism for trading shares of investment funds in Mexico.

Additionally, various activities were carried out in this area, such as:

- In compliance with the international operational risk standards established by the Basel Committee, the capital requirement exercises for operational risk were carried out using the new method for the business indicator or standardized measurement approach (SMA) proposed. The above, with the objective of measuring the impact on the IBMs capital requirements.

- As part of the continuous improvement of the quality of the information presented in regulatory report R28, corresponding to operational risk, internal validations were defined and automated in order to evaluate the consistency of the information and its adherence to the instructions. This serves as an instrument to give feedback to credit institutions and contribute to improve sending habits, internal control processes, as well as to facilitate the self-validation of information.
- The evaluation methodology was updated for the domains of computer auditing, development, and acquisition of technological systems and infrastructure, which make up the technological risk rating of the supervised entities.

3.4.3.2. Cross-sectoral supervision of investment services

In order to help supervise investment services, seven inspection visits were made in 2018: three to IBM, two to brokerage houses, and two to companies operating investment funds in debt and capital instruments. Thus, the following topics were verified: 1) evaluate the level of compliance with investment services provisions of, 2) compliance of the entities with the integration of periodic information according to their business operation, and 3) avoid possible conflicts of interest in the provision of their services, as well the verification of the conduct of investment service providers, among others.

As a result of the foregoing, the relevant findings of previous years, the analysis of regulatory reports, and the verification of the securities that compose investment portfolios were followed up.

Finally, during 2018, efforts were also made to conduct special visits to two brokerage houses, as part of their authorization process and the start of operations, in order to verify that they have sufficient internal control mechanisms for the provision of investment services.

3.4.3.3. Information security supervision

The CNBV carries out the analysis of various alerts, threats, vulnerabilities, incidents, and other communications received from the entities themselves, other authorities, and specialized services. As a result of this analysis, three types of communications can be generated towards the supervised entities, associations, and other financial authorities:

- Bulletin: information of interest and of a preventive nature.
- Communication: data about possible vulnerabilities in infrastructures and applications.
- Alert: information on incidents that have already materialized and that require immediate containment actions.

In all cases, recommendations are included for the identification, prevention, or response to events, avoiding the propagation of their consequences.

In this regard, in the field of information security, opinions and responses were issued to queries, both internal and from supervised entities, on issues such as the hiring of cloud services, service authorization processes, client identification mechanisms using biometric data, encryption processes and new technologies, among others.

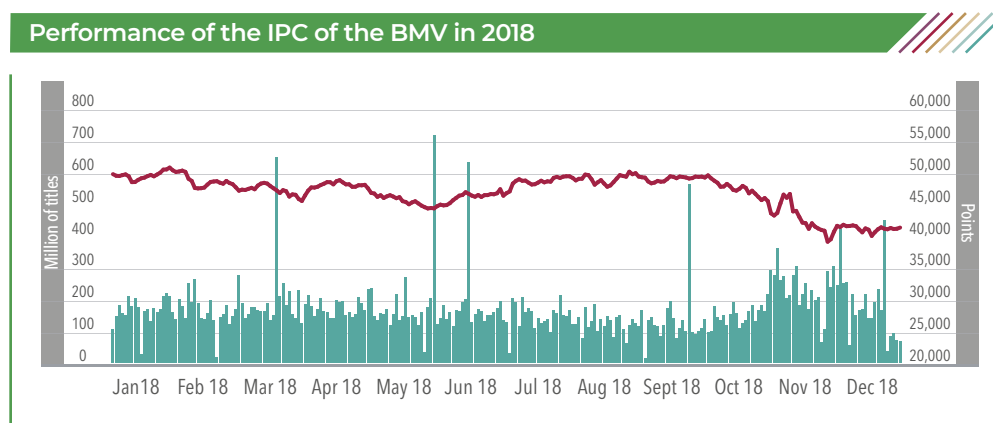
3.4.3.4. Stock markets

As part of the supervision of the Mexican stock market, the CNBV analyzes its evolution and maintains continuous monitoring of its behavior. It also verifies the complete and timely disclosure of relevant information by issuers with securities registered in the RNV, in accordance with international standards in this matter. Some of the most outstanding aspects are mentioned below:

Capital market

During 2018, global markets were watchful of diverse events such as the monetary policy of the Federal Reserve of the United States (US), the commercial negotiations between the governments of China and the US, as well as the renegotiation of NAFTA.

In this context, the Mexican Stock Exchange Index (IPC) reached its highest annual level on January 26, when it reached 51,065 units. Although it subsequently showed a bearish cycle during the first six months of the year, followed by an upward cycle that would last for two months motivated by progress in the NAFTA negotiations, which would be signed in November.



In November, the IPC reached its minimum with 39,427 units, which could be explained as a result of the volatility generated by a proposal regarding the charging of commissions to users of financial services in Mexico.

Throughout 2018 the CNBV, together with both stock exchanges, defined the taxonomies in the extensible business reporting language standard (XBRL), corresponding to the delivery of information of relevant events, monthly reports (Annex T) and Annex AA of the issuers, with securities registered in the RNV. Such a definition will allow the issuers to present information in the aforementioned formats as of 2019.

As part of the permanent supervision of issuers with securities registered in the RNV, in relation to the degree of compliance that such issuers present with their annual and quarterly (financial, economic, accounting, legal and administrative) information disclosure obligations, contemplated in the LMV and the applicable provisions, compliance with the periodic information disclosure of all the following instruments was evaluated:

- Securities of national issuers.
- Fibras.
- Investment trust in infrastructure and energy (Fibra E).
- CKD.
- Cerpi.
- Long-term direct debt.
- Short-term direct debt.



Debt market

The Mexican debt market recorded an increase of approximately 4.0%²¹ in the amount placed, compared to the observed in 2017. This is mainly due to the increase in the issuance of short, medium, and long-term instruments. The CNBV maintained a constant monitoring of the evolution of the market as a whole, as well as the performance and regulatory compliance of its various participants.

Other securities market participants

Prior to the start of operations of the new stock exchange and in order to verify the proper functioning of the technological and communications infrastructure, special visits were made to both the Bolsa Mexicana de Valores (BMV) as well as to the Contraparte Central de Valores de México, S.A. de C.V., and SD Indeval Institución para el Depósito de Valores S.A. de C.V. (Indeval).

On the other hand, as a result of the incidents presented in the SPEI, the monitoring of Indeval was emphasized in order to ensure the continuity of its services and to corroborate that there had not been any effects on depositors in the processes of clearing and settlement of operations.

In addition, in order to ensure that the methodologies of the securities rating agencies had clear and objective criteria, various methodologies presented by them were reviewed for approval. During the visits, the reviews of the rating processes were deepened to ensure that they complied with their methodologies and were free from any type of conflict of interest. In this sense, the rating agencies' adherence to the Code of Conduct issued by the International Organization of Securities Commissions (IOSCO) was evaluated.

21/ No se consideran colocaciones sin que al efecto medie oferta pública.

3.4.4. Technical support for supervision

3.4.4.1. Development of risk methodologies

During 2018, the CNBV continued with its efforts to strengthen and develop tools, statistics, and analysis methodologies for the supervision of the different risks to which institutions are exposed.

Methodologies for measuring the risks of entities were developed and improved in accordance with best practices and international trends. The main methodological developments during 2018 are presented below:

- **Changes in CEFER matrices.** In order to strengthen the SBR processes, improvements were made to the tools, and the CEFER matrices of the SOFIPO, SOCAP, credit unions, and bonded warehouses sectors were automated in the PTS, making it possible to speed up the qualification processes of the entities..

On the other hand, for IBM and IBD, the methodology for measuring inherent risks was readjusted to make a more precise risk classification of the institutions and detect potentially risky institutions in a timely manner.

- **International Financial Reporting Standard 9 (IFRS).** Statistical models were developed, and the regulatory framework to which the credit institutions will adhere to the implementation of the IFRS 9 was developed. This standard provides for the classification of the loan portfolio into three stages, depending on the change in the risk of the asset since its initial recognition, and making provisions differentiated by stage of credit impairment:

- » Stage 1. Initial risk recognition: expected loss with a 12-month horizon.
- » Stage 2. Significant impairment: expected loss over the life of the credit.
- » Stage 3. Non-compliance.

As part of this effort, the regulatory reports associated with the regulation of all sectors that consolidate with financial groups were modified.

- **Commercial portfolio reserve methodologies.** As part of the process of continuous updating of the portfolio rating regulations, a new calibration was performed for the expected loss methodologies of the commercial portfolio. The specific objectives of the re-calibration were: the incorporation of specific risk dimensions not currently contemplated, such as the economic sector, product particularities, financial explanatory variables, elements of the Law of Financial Discipline of Federal Entities and Municipalities; as well as, the simplification of current models and the elimination of redundant or limited access variables.

3.4.4.2. Authorization of internal methodologies

Internal methodologies for calculating capital requirements and reserves for credit risk, the stability of deposits and mortgage portfolio prepayments allow credit institutions to have models that more accurately reflect their risk profile, the value of their exposures and their sensitivity to various factors.

In the reporting period, three requests were received for authorization of internal methodologies for the estimation of preventive credit reserves and for the calculation of capital requirements for credit risk, of which two were authorized for credit portfolio rating and one is in process of authorization.

In addition, credit institutions conduct performance reviews of those internal methodologies that have been authorized to use. This observation process should be based on recent information and made at least once a year. During 2018, 22 previously authorized internal methodologies were reviewed with the objective of ratifying their use for the following twelve months.

3.4.4.3. Analysis of micro and macro-prudential risks

As part of the process of monitoring the different risk factors that affect the exposure of the financial system, work continued on the development of internal analysis products that enable the identification of the risks to which financial system entities are exposed, such as:

- Monthly micro-level prudential risk report to monitor and measure the liquidity, credit, and market risks of the institutions, in order to identify in a timely manner the vulnerabilities of the institutions.
- Quarterly reports on systemic risk and contagion, with the objective of understanding the resilience of the financial system as a whole in the face of different macroeconomic scenarios, as well as identifying the routes of contagion of losses when an institution or a group of them cannot comply with their obligations.
- Quarterly measurement to identify the IBMs of local systemic importance, analyzing the evolution of each of the indicators that make up the measurement. It is worth mentioning that the results of the methodology are presented to the Board of Governors of the CNBV twice a year, for the designation of the IBMs of local systemic importance, which are obliged to constitute a capital conservation supplement according to the degree of systemic importance assigned to them.
- Development of specific tools and reports to follow-up the risks of the SOFIPO sector, with the objective of having better metrics of capital and liquidity, which allow timely detection of vulnerabilities inherent to entities belonging to this sector.
- Updating of the Market Risk Measurement Platform, which allows market risk measurements for IBM, IBD, brokerage firms, and investment funds positions. The platform includes, among others, the following functionalities:
 - » Market valuation for all levels of the portfolio structure.
 - » Sensitivity and stress for all levels of the portfolio structure.
 - » Historical and Montecarlo value at risk (VaR).
 - » VaR stress, VaR by risk type and VaR by incremental risk.
 - » Distributions of profits and losses obtained at the institution level.
 - » Stress testing under supervisory scenarios for IBM and brokerage firms.

3.4.4.4. Capital adequacy assessment exercises

ESC to IBM

In 2018, the CNBV carried out for the tenth consecutive year, the ESC-ES that, on this occasion included 50 IBM. The objectives of this exercise were the following:

- Verify that institutions and the system have sufficient regulatory capital to continue operating in adverse macroeconomic scenarios, as well as to know the existing risks, the growth perspective, and the operation of the institutions.
- Encourage entities to incorporate, in their management decisions, processes that contemplate a comprehensive risk management.
- Sensitize institutions on the possible strategies to respond to adverse macroeconomic conditions, as well as create a culture for financial planning in the face of these conditions.

During 2018, the CNBV incorporated some adjustments to the exercise, in order to align it with international best practices and to address the areas of opportunity detected in previous years, which they contemplated:

- Request for greater detail of capital requirements for operational risk to validate the calculation of the operational risk-weighted assets for the entities that use the standard or alternative standard method.
- Modification of the year for the exercise to align it with the institution's business plan.
- Request for a more detailed funding structure and key indicators (CCL and CFEN) to assess the liquidity risk. It was requested to determine the impact on liquidity by the main concentrations of deposit-taking and funding.
- Request for information to analyze the exposure of institutions to risks related to cybersecurity.
- Incorporation of the leverage ratio as a complementary reference measure to capital requirements.

Results of the exercise

As part of the results, five vulnerable institutions were identified, which together represented 0.9% of the system's assets as of September 2018, of which four had an ICAP lower than the regulatory minimum, without considering the projected contributions, and one institution did not comply with the corresponding minimum capital.

With the intention of detailing the analysis, an exercise was carried out in which the sector's ICAP was projected using the variables of the adverse scenario, but without considering the main responses used to mitigate the risk by the entities. As a consequence of this exercise, ICAP in the adverse scenario was at 14.68%.

When incorporating the entities' responses, at the close of December 2018, the system's ICAP stood at 16.14% and 16.77% in the base and adverse scenario, respectively. Therefore, it can be concluded that the multiple banking sector is resilient to adverse conditions by maintaining an ICAP higher than the regulatory minimum (10.5%).

Systemic contagion risk

For the second time, the CNBV conducted a contagion risk analysis in order to assess the impact of vulnerable institutions (those with an ICAP of less than 10.5%), based on the results of the supervisory scenarios, for the transmission of losses to their counterparts within the financial system.

From this analysis, it was concluded that in no case would the failure of banks identified as vulnerable have a systemic risk of contagion.

ESC to brokerage firms

The CNBV carried out for the third time the ESC-ES exercise for the brokerage sector, with the following objectives:

- To verify that these entities have sufficient capital to operate, even under adverse economic conditions.
- To ensure that the entities incorporate in their management decisions, processes that contemplate comprehensive management of risks.
- Sensitize brokerage firms on possible strategies of response to adverse macroeconomic conditions, as well as create a culture of projection of financial statements in such conditions.
- Identify the main vulnerabilities at an individual and sector level, as well as the growth and operation perspective of the entities in different scenarios.

Likewise, modifications were made to the exercise to incorporate improvements and address the areas of opportunity detected in 2017, which they considered:

- Incorporation of a new liquidity requirements section in order to identify the response of institutions and their liquid assets, as established in article 146 of the CUCB.
- Implementation of limits on the growth of off-balance-sheet income in the adverse scenario, in order to restrict income associated with financial advisory services.
- Calibration of internal financial consistency validation tools, with the purpose of verifying the concordance of the financial projections with the macroeconomic environment proposed.
- Request to send the qualitative document in the preliminary delivery, which allowed to obtain the necessary information to understand the way in which the brokerage firm did the exercise; as well as to obtain the assumptions considered in its elaboration, prior to the definitive delivery.

As in 2017, the CNBV proposed two macroeconomic scenarios for which each brokerage firm projected its financial statements and determined ICAP's trajectory according to the assumptions set out. Regarding the adverse scenario, specific guidelines were defined to stress the projections of the entities, such as 1) application of a loss associated to a market shock, 2) a restriction on the growth of commissions charged on transactions on behalf of clients, 3) a restriction on the growth of commissions charged for financial advisory services, 4) limitations on trading margin income, 5) a limit on the decrease in administrative and promotional expenses.

Results of the exercise

As part of the results, five vulnerable brokerage firms were identified, of which three presented capital requirements for limits on net capital with respect to share capital; one presented requirements of capital for minimum share capital to operate; and one, in addition to presenting requirements of capital for minimum share capital to operate, its net capital was below share capital, and its ICAP is below the regulatory limit.

However, the sector as a whole shows resilience, given that during the projected period the minimum ICAP stood at 22.78% in the adverse scenario.

3.4.4.5. Reception, exploitation, and analysis of information

During 2018 work continued on optimizing the processes of reception, quality, and exploitation of the financial and operational information reported by the supervised entities, in order to also improve its timely and reliable dissemination to the general public, as well as to have quality inputs to generate useful tools in the supervision of the entities. Thus, special emphasis was placed on improving the quality and timeliness with which the entities submit information.

Reception and quality of information

The number of validations in the financial information received was increased in order to improve the quality of the information in the regulatory reports. A greater number of reports were included in the quality evaluation methodology, particularly for SOFIPO, SOCAP and credit unions

Regarding the implementation of the processes for the generation of inconsistency reports and information quality evaluation files for the different types of regulatory reports, the results were as follows:

- Improvement in the quality of the information in a greater number of entities, through the implementation of new validations in the Inter-institutional Information Transfer System (SITI), as well as validations applied within the Commission, once the information is in institutional databases.
- Less recidivism in the number and type of inconsistencies in the information received, by incorporating more detail of these in the reports sent to the institutions.
- Greater quality in the content of the reports sent by the supervised entities, derived from the incorporation of a greater number of reports in the quality evaluation and through the crossing of information between reports.

Exploitation and publication of information

Derived from the implementation of technological tools for the exploitation of information and business intelligence, response times have been reduced when dealing with information queries from the general public.

On the other hand, in conjunction with financial entities, an innovative and secure mechanism was implemented to disclose the detailed quality situation of the regulatory information received.

In addition, improvements were made in the visualization and response times of the information that is released through the Public Information Portfolio, highlighting the following:

- Development of reports with downloadable information that allows analysts to carry out their tasks more efficiently.
- Increased coverage in the publication of quality rating reports, with the objective of encouraging the correction of regulatory information reported by financial institutions.

Information analysis

On a regular basis, the CNBV generates analytical products to support supervision and fulfills with its mandate to publish timely information on the sectors it supervises. Statistical bulletins, historical series, timely cards, and other analysis tools are produced on a monthly and quarterly basis for eleven sectors.

Additionally, throughout the year, opinions were issued on the financial viability of projections received in the authorization processes of institutions that want to join the different supervised sectors, such as IBM, brokerage houses, and SOFIPO, among others.

3.4.5. Supervision in terms of AML/CTF

During 2018, the CNBV implemented various actions to make supervisory activities in terms of AML/CTF more efficient:

- Holding meetings with various sectors within the Know Your Entity program, in order to learn about the RBA methodologies implemented by the five largest credit institutions.
- Conducting two certification exams for compliance officers, auditors, and other professionals. This process has added up to more than 10,300 people since its inception in 2015.

Percentage of entities with a certified compliance officer

Sector	Entities with a certified compliance officer
Bonded warehouses	81%
IBD	83.3%
IBM	96.1%
Brokerage firms	94.3%
Currency exchange offices	100%
National Financing Company	100%
Distributing companies of investment funds	75%
SOFOM E.R.	89.4%
Investment fund operating companies	73.1%
SOFIPO	87.2%
SOCAP	68.8%
SOFOM E.N.R.	44.3%
Money transfer companies	82.2%
Credit unions	65.5%
Currency exchange centers	34.7%

It should be noted that prior to each exam, the CNBV organized conferences on AML/CTF in order to promote the training for those who would take the exam.

- Issuance of 1,312 technical opinions (128 for currency exchange centers, thirteen for money transfer companies and 1,171 for SOFOM E.N.R.), to those entities that require it to carry out the process of renewing their registration.
- Strengthening of the RBA, through the analysis of 1,927 documents regarding the risk evaluation methodology implemented by the supervised subjects (944 SOFOM E.N.R., 801 currency exchange centers, 53 investment advisors, 49 IBM, 38 transfer money companies, 36 brokerage firms, and six IBD).
- Analysis of the actions implemented with respect to the findings or deficiencies found by the auditors, as a result of the review of the audit reports of the sectors supervised in terms of AML/CTF. This makes it possible to know the actions implemented by the entities to improve the effectiveness of the preventive regime.



3.4.6. Market behavior supervision

The CNBV is empowered to conduct investigations into various acts, presumably in contravention of the LMV and its provisions. This exercise of this power is based on technical and legal elements required to carry out investigations, which consist of:

- Analysis of the reports of transactions carried out with securities subject to disclosure.
- Consolidation of the information of positions and facts coming from the securities markets.
- Integration of orders and assignments of intermediaries.
- Incorporation of relevant financial events such as news or specific notes.

The purpose is to have the necessary tools to identify and alert users of deviations presented by market participants.

Securities market investigations

In order to ensure adequate supervision of the securities market in order to protect the investing public and to make it fair, efficient and transparent, investigations were carried out of different participants in the securities market for which there were indications of possible violations of the LMV and/or applicable provisions.

These infringements cover, among other issues:

- Use of privileged information.
- Market manipulation.
- Holding of simulation operations regarding the volume or price of securities.
- Operations with conflict of interest.
- Actions contrary to healthy market uses or practices.
- Presumption of improper accounting records.
- Disclosure of financial information revealed to the investing public.
- Disclosure of financial information revealed to the investing public.

As a result of the investigations, in some cases, the necessary information was requested to analyze the updating of the infringing conducts or, if the conduct had been confirmed, the administrative procedure for the imposition of sanctions against the alleged violators was initiated.

In the following activities were carried out in 2018:

- Investigation of a brokerage firm and an issuer for alleged violations to the LMV.
- Investigation of the government securities market, related to the activities of the seven market makers, two IBMs, as well as the seven companies that manage systems to facilitate operations with securities.
- Investigations in the capital market related to inadequate disclosure by an issuer, to the activity of a brokerage firm's own facilitating account, as well as to reports of transactions involving securities subject to disclosure by 42 issuers.
- In accounting matters, investigation of the activities of an external auditor related to the audited financial statements published by an issuer of securities. Five technical opinions related to an issuer, an external auditor and three individuals were prepared.

Securities market monitoring platform

The purpose of the Securities Market Monitoring Platform is to follow up and analyze the operational information of such market in order to detect and evaluate conduct that contravenes the applicable regulations.

In addition, the platform integrates records coming from the stock exchanges and brokerage firms to reconstruct market events and thereby track the origin and destination of securities exchanged in electronic trading.

As part of its implementation, during 2018: 1) alarms focused on the detection of manipulation and simulation in the securities market, as well as the improper use of privileged information, 2) new regulatory reports on orders and assignments were included and updated, 3) BIVA information was included, so the platform operates and generates alerts contemplating both stock exchanges.

3.5 Investigation visits

In addition to the supervised entities, the CNBV is empowered to carry out visits for the purpose of investigating the acts of natural and/or legal persons who, without being members of the financial sector, allegedly carry out activities that imply the violation of financial laws, or carry out activities that require authorization or registration in terms of financial regulation, without having them. It may also order such persons to suspend operations that infringe the regulations..

The main objectives of these visits are the prevention of unlawful conduct that is qualified as operations to attract irregular resources from the public, as well as the investigation of persons that carry out financial activities without having the corresponding registration or authorization.

During 2018, 72 investigative visits were made to SOCAP, investment funds, investment advisors, currency exchange centers, money transfer companies, and SOFOM E.N.R. in the area of irregular deposit-taking. As a result, fifteen SOCAPs, thirteen currency exchange centers, three SAPIs, one SOFINCO, one joint-stock company, and one limited cooperative society were ordered to suspend operations.

The background features a light gray hexagonal pattern. Teal borders are present at the top, bottom, and right edges. Several hexagons are outlined in teal, with some containing multiple concentric lines. One hexagon in the upper right is highlighted with multiple concentric lines in teal, orange, and purple.

4.

AUTHORIZATIONS

4.1 Introduction

The CNBV has authorization and registration powers with respect to financial institutions, individuals, and legal persons within its sphere of competence, as well as companies that provide various services. The authorizations granted refer to both to the organization and operation of these entities and companies and to the execution of various acts provided for in the corresponding financial laws.

In exercising these powers, the CNBV proceeds in strict compliance with 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 financial system, inclusive, and open to competition, capable of providing a wider range of products and services in accordance with the savings, credit and investment needs of the population, and promotes the healthy and balanced development of the Financial System in Mexico.

The main activities and achievements during the year are presented below, highlighting the start of BIVA's operations and use of SEAOC, as well as the issuance of relevant authorizations within an efficient regulatory framework that encourages the participation of intermediaries in the stock market, and protects the interests of the investing public.

Subsequently, the authorizations issued by the CNBV are set out in accordance with its powers in relation to the authorization of new entities, corporate restructurings, corporate bylaws and reforms, operational, and legal aspects and new issuances of the securities market.



4.2 Relevant issues of the year

Start of BIVA's operations

Derived from the concession title to establish a new stock exchange in Mexico, granted by the SHCP to the CENCOR Group in favor of BIVA, after a period of extensive testing, on July 25, 2018, it began operating, following a pronouncement by the CNBV.

The beginning of BIVA's operations implied the coordination and cooperation of all market infrastructure entities, mainly Indeval and the Contraparte Central de Valores, as well as the brokerage houses. At the same time, the operation manuals of the brokerage houses were authorized, in order to be able to operate in more than one stock exchange, in accordance with the new regulation that considers the duty of better execution.

Implementation of the SEAOC

In order to streamline the authorization processes that are taken to the CNBV for the organization, operation, and functioning of those entities that are required by the law, both to provide greater certainty to the respective applicants, and to grant them an administrative facility, the use of the technological tool SEAOC was made available to the interested public. This tool allows interested parties to submit electronic applications for the authorization of IBM, brokerage firms, operators, appraisers, and distributing companies of investment funds, systems to facilitate operations with securities, popular savings and loan institutions, and credit unions.

In accordance with the above, on April 12, 2018, the General Provisions applicable to the use of the SEAOC were published in the DOF, regulating the use and proper implementation of the tool. Training on the use of SEAOC was also provided to applicants for authorization of new entities to incorporate their applications into the system.

In addition, the development of the SEAOC was expanded to receive the most recurrent requests for operational authorizations: 1) methodologies for calculating market, credit and operational risks, 2) investments in service and real estate companies, 3) acquisitions or share transfers, 4) commission agents, 5) service providers, and 6) representative offices.

On the other hand, in order to provide interested parties with an explanatory guide in citizen language on the requirements to be integrated in the file of applications for authorization, the guides corresponding to the most recurrent operating authorizations were developed and published on the CNBV website, as well as those of the FTIs in their modalities: CFI and EPFI.

Reactivation in the placement of Fibra E, Cerpi and start of listings by BIVA

The Fibra E via infrastructure and energy investment vehicles were reactivated during 2018, and the second Special Purpose Acquisition Company (SPAC) had the following placements: 1) Fibra E of the Federal Electricity Commission (CFE) with an initial offer that reached \$16,388 million MXN, 2) Fibra E, for the construction of the New International Airport of Mexico City (Nuevo Aeropuerto Internacional de la Ciudad de México, NAIM) with an offer for \$30,000 million MXN, 3) Fibra E, INFRAEX which reached \$6,136 million MXN, and 4) SPAC in charge of Promecap, which raised \$5,578 million MXN between 119 national and international investors.

The Cerpi also reflected growth in the Mexican stock market by placing \$12,995 million MXN in the second half of the year, corresponding to fifteen Cerpi, through restricted public offerings. These certificates are intended to finance projects, as well as investment in shares, social parts, or the financing of companies, either directly or indirectly through one or several investment vehicles. The Cerpi seek to present to their holders' investment opportunities both abroad and nationally, in a proportion of up to 90% in the first case and at least 10% for the second.

On the other hand, derived from the beginning of operations of BIVA, in October 2018, the first listing corresponding to a CKD for an amount of \$416 million MXN was made, in which Actinver bank participated as trustee and Fortem

Capital I, S.C. as trustor. Subsequently, in the last quarter of 2018 four more issuances were listed: 1) CKD integrated by Asesores Indigo Deuda Privada, S.C. in which \$320 million MXN were placed, 2) Cerpi of Atlas CapGto, S.R.L. de C.V. for \$800 million MXN, 3) issuance of debt made through a trust created with Credito Real, Sociedad Anónima Bursatil (S.A.B.) de C.V., SOFOM, E.N.R. for \$615 million MXN, and 4) structured issuance of Banorte bank for an amount of \$388.5 million MXP.

4.3 Regular activities

4.3.1. New financial entities, registrations, and recognitions

In accordance with its Law, the CNBV has powers of authorization with respect to acts of various nature provided for in the laws of the financial system. Among them is the power to authorize the constitution and operation of the entities within its sphere of competence so that during the year, the legal, operational, economic, financial, and administrative aspects of the applications for authorization submitted were analyzed. This resulted in the granting of the following authorizations, registrations, and recognitions to new financial entities, in accordance with the contents of Annex C (New financial entities, registrations, and recognitions):

- 1 company that administers electronic mechanisms for trading shares of investment funds: MEI Fondos
- 4 SOCAPs to continue performing savings and loan operations: (Cooperativa Suljaa, Caja Popular Ciudad Hidalgo, Caja Gonzalo Vega, and Caja Solidaria Nuevo Ideal).
- 40 entries in the Register of currency exchange centers and money transfer companies: 38 currency exchange centers and two money transfer companies.
- 52 renewals of registration in the aforementioned registry: 47 currency exchange centers and five money transfer companies.
- 22 entries in the Register of investment advisors: seven natural persons, twelve independent legal entities, and three non-independent legal persons.

Start of operations, general plans, and complementary authorizations

- Two IBMs were authorized to start operations: Banco S3 México and Bank of China México.
- Three new starts of operations were noted: a stock exchange, BIVA, a company that administers electronic mechanisms for trading shares of investment funds, MEI Fondos, and an investment fund operating company, GAF Operadora.
- A note was taken of implementation of a new general plan for the operation of a brokerage house: Bursametrica.
- The investment fund operator, Operadora COVAF, was authorized to carry out a complementary activity consisting of administering electronic mechanisms for disclosure of investment fund information.

4.3.2. Corporate restructurings

During 2018, several projects of internal reorganization, functional restructuring, and changes in shareholding structures were carried out by numerous financial entities in an environment of greater competitiveness in global markets, demand for high-quality services, and the search for alternatives to reduce costs.

These projects were authorized by the CNBV and included mergers, demergers, changes of control, acquisitions, share restructurings, capital investments, as well as acts tending to the integration of financial groups. In some cases, when the SHCP was empowered to grant them, the CNBV issued opinions on the processes.

The corporate restructurings are summarized below and are detailed in Annex D (Corporate restructurings):

- 4 IBMs were authorized for several share acquisitions: Iniesta Bank, Intercam, Bankaool, and Ve por Más.
- Opinions were issued to the SHCP regarding share acquisitions, incorporation and separation of entities, and merger to nine financial institutions: Banorte, Interacciones, Ve por Más, Intercam, Afirme, Banamex, UBS, Base, and Invex.
- 3 brokerage firms were authorized for various direct and indirect share acquisitions: Masari, Intercam, and Ve por Más.



- 5 investment fund operating companies were authorized for various share acquisitions: Monex, Intercam Fondos, Old Mutual, Impulsora de Fondos, and Ve por Más.
- 1 SOFIPO was authorized to acquire shares from the Council for Assistance to Microentrepreneurs (Consejo de Asistencia al Microemprendedor).

4.3.3. Corporate bylaws and reforms

In 2018, as a result of the verification of compliance with the applicable legal framework, as well as to reflect changes in corporate aspects (capital, domicile, denomination and corporate purpose), in its regime or administration, statutory reforms were approved for a total of 90 entities from various sectors: 22 IBMs, eleven brokerage firms, eighteen SOFIPO, fifteen SOCAP, eleven credit unions, two federations, three investment fund operators, three service companies, four banking real state agencies and a company that manages systems to facilitate securities transactions, in accordance with the contents in Annex E (Reforms to corporate bylaws).

4.3.4. Operational and legal aspects

During the year, authorizations were issued for the operational and legal aspects of financial entities subject to the supervision and regulation of the CNBV, in accordance with the contents of Annex F (Operational and Legal Aspects):

- 14 new commission agents: Five from IBM, three from the SOFIPO sector, and six from SOFOM E.R.
- 58 authorizations to enter into service contracts: 40 from IBM, one from IBD, seven from the SOFIPO sector, one from the SOCAP sector, three to SOFOM E.R., three to brokerage firms, and three to representative offices.
- 7 authorized self-correction programs, five unfounded, two not submitted, and one modification to one authorized.
- 5 capital investments: Three to IBMs, one to brokerage firms, and one direct investment to the stock exchange in two service companies.
- 8 capital investment increases: Six to IBM, one to IBD, and one to brokerage firms.
- 7 capital investment decreases to IBM.
- 6 capital divestments: Three to IBM and three to a brokerage house. Derived from the divestments, one IBM was left without authorization to invest in a complementary services company.
- 1 authorization without effect for the organization and operation of a company that manages systems to facilitate transactions with securities.
- 1 note of the change of corporate name and three appointments of new representatives to representative offices.
- 46 opinions to the SHCP as part of the review process of acts whose authorization corresponds to the powers of that agency. The opinion issued regarding the request for confirmation of BIVA's start of operations is noteworthy.

- 12 opinions to Banxico, in accordance with the provisions of the Rules to which the participants of the Derivatives Contracts Market shall be subject.
- Various operational and legal authorizations: Four to credit unions, twelve to the SOFIPO sector, five to the SOCAP's sector, five to bonded warehouses, two to the SOFIPO Protection Fund, one to the SOCAP Protection Fund, two to federations, five to stock exchanges, one to central securities counterparty, and three to Indeval. Additionally, two denials of authorization were issued: One to the central counterparty and one to Indeval.
- 4 authorizations to implement a settlement procedure other than that provided for in the general Provisions applicable to bonded warehouses, currency exchange offices, credit unions, and the SOFOM E.R.
- 12 requests to use reserved terms were denied based on the LFI, and the use of a reserved term in the name of an independent investment advisor was authorized.

In addition, six authorizations were revoked at request of a party, as detailed in Annex I of this report: One for the organization and operation of a company distributing shares of investment funds, one for the organization and operation of a securities rating institution, and four for the establishment in national territory of offices representing foreign financial offices.

4.3.5. Nuevas emisiones en el mercado de valores

According to the LMV, it is essential that any loan credit instrument or stock be registered in the RNV before being publicly offered or intermediated in the Mexican stock market. The CNBV is the authority in charge of the organization of the RNV and is empowered to carry out both the registration of the securities and the updating, modification, note-taking, suspension, or cancellation of the registrations made.

The CNBV also has the power to authorize public offerings of securities and the dissemination to the public of the corresponding information by means of prospectuses, supplements, information brochures, offer notices and notices for informative purposes, among others.

In exercising these powers, during 2018 the CNBV granted stock market authorizations for an approximate amount of \$475,666 million MXN²², which are presented below:

Capital market

Shares

- Second placement of a SPAC through a public offering, for an approximate total amount of \$5,577.93 million MXN, in accordance with the contents of Annex G (New issuances in the stock market).
- 2 companies carried out public takeover bids, in accordance with the contents of Annex G.
- 25 updates to the registration of shares in the RNV, mainly due to modifications to the structure of the capital stock.

^{22/} Source: CNBV, with information provided as of May 2019, the amount does not include warrants, structured securities, takeover bids, or securities placed without public offering.

CBF: development and real state

- 77 placements of CKD for an approximate total of \$37,677 million MXN, in accordance with the contents of Annex G.
- 3 Fibras performed initial public offerings of CBFI for an approximate amount of \$10,255 billion MXN, in accordance with the contents of Annex G. One of them allocated the resources to invest in real estate and to obtain income from leasing real state destined mainly for educational spaces.

The placement of CKD, through the stock market, will result in greater investment at national level, promoting the development of the following sectors: real state (39.7%), infrastructure (25.0%) and private capital (35.3%), the latter representing an alternative to invest in small and medium enterprises (SMEs) and thus finance their projects.

Warrants and structured securities

- The CNBV registered 295 series of warrants during the year, for an approximate total amount of \$20,209 million MXN, placed by six issuers, in accordance with the contents of Annex G.
- 27 placements of structured bank bonds for an accumulated amount of approximately \$8,424 million MXN, in accordance with the contents of Annex G
- 3 issuances of structured stock certificates for a total amount of approximately \$465 million MXN, in accordance with the contents of Annex G.

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

This type of instrument implies greater risk, and its demand responds to the need of certain types of investors to cover market risks or simply from those, including institutional and qualified, who seek higher returns in exchange for facing larger risks.

Trust certificates: of investment projects (Cerpi) and in infrastructure and energy (Fibra E)

- 15 Cerpi placements for a total approximate amount of \$12,995 million MXN, and a maximum amount of \$65,254 million MNX, in accordance with the contents of Annex G. One placement, carried out in BIVA, and of the fourteen initial placements made, twelve were in US dollars.
- 3 placements of Fibra E for a total amount of approximately \$52,524 million MXN. One of them focuses on financing infrastructure projects for the CFE.

The Cerpi, created in 2016, is private equity investment instruments whose objective is to make investments in projects and/or companies abroad, and that prior to 2018, there had only been one placement in 2016, for an amount corresponding to the initial issue of \$799 million MXN.

Debt market

Short-, medium-, and long-term stock certificates (CBs)

- 13 new preventive registrations of CB of short-term in the RNV, under the modality of placement program, for a total of \$74,200 million MXN. Of these authorizations, three preventive inscriptions in the RNV were updated in order to increase in \$3,700 million MXN the amount previously authorized.
- 44 medium and long-term CB emissions in the RNV. Various corporate and non-bank financial companies placed these CB directly for a total amount of \$93,137 million MXN.

Bank CBs and CBs issued by state-owned production companies

- 11 IBM placed bank CB issues for a total amount of \$51,391 million MXN, in accordance with the contents of Annex G. It should be noted that the funds obtained from these placements were mainly used to improve the liquidity and funding profile of the issuers' balance sheets.
- 4 IBD placed issues of bank CB under a generic inscription for a total amount of \$32,000 million MXN, in accordance with the contents of Annex G.
- The CFE obtained in the market resources for a total amount of \$15,290 million MXN through the issuance of two CB.

Asset-backed CBFs, non-asset-backed CBFs securities, and Banxico CBFs

- 2 issues backed by various assets placed by Banco Actinver, S.A., I.B.M., Grupo Financiero Actinver, and Banco Invex, S.A., I.B.M., Invex Grupo Financiero with a total amount of \$17,919 million MXN, in accordance with the contents of Annex G.
- 19 issues backed with various assets such as collection rights and accounts receivable for an approximate total amount of \$37,872 million MXN, in accordance with the contents of Annex G.
- 1 issue of backed debt, placed by Evercore Casa de Bolsa, S.A. de C.V., with an approximate amount of \$1,100 billion MXN, in accordance with the contents of Annex G.
- 20 issues without constituting asset-backed securities placed by Banxico for a total amount of \$33,187 million MXN, in accordance with the contents of Annex G.
- 4 issues without constituting asset-backed securities for an approximate amount of \$13,900 million MXN, in accordance with the contents of Annex G.
- 1 issuance of bonds performed by Banca Afirme, S.A., I.B.M. for an amount of \$1,200 million MXN.

Of the debt market issues mentioned, those where the resources will be allocated for the development of works that have an ecological impact (sustainable bonds) stand out.

It is worth mentioning that Evercore Casa de Bolsa acted as issuer trustee, and Banco Santander (Mexico), S.A., Institución de Banca Múltiple, Grupo Financiero Santander Mexico as trustor of the credit rights of the dispositions made under the simple credit opening agreement with the Federal Government, in which the CDMX Government acts as the final recipient of the credit and sole beneficiary of the resources.

Other authorizations

The CNBV has promoted the figure of recurrent issuer among securities issuers, with the purpose of providing them with pre-approved formats that allow them to carry out issuances in an agile manner, avoiding the review time by the CNBV and reducing administrative costs. With the above, issuers are able to take advantage of windows of opportunity to obtain financing through the stock market in a more expeditious manner.

Currently, 33 issuers are authorized by the CNBV to issue debt securities under the figure of the recurring issuer, through programs with a total amount of \$862,800 million MXN.

In this sense, in order to promote the development of the stock market and grant administrative facilities for the issuance of various types of instruments, in 2018, a program was authorized with which debt securities can be issued.

On the other hand, during 2018, the CNBV became aware of two issuers that made their change of listing from the BMV to BIVA, which fosters competition among various participants of the securities market.





5.

LEGAL TOPICS

5.1 Introduction

This section describes the core activities of the legal management of the CNBV: 1) seek adequate internal legal control through legal advice, in order to ensure that the acts of the CNBV are properly founded and motivated, 2) issue offense opinions in order to promote strict compliance with applicable regulations by financial entities, 3) sanction them in the event of non-compliance with financial laws, 4) represent the Commission to defend the legality of its acts in judicial or administrative proceedings in which it is involved; 5) attend to requirements for information and documentation requested by the country's judicial, tax or administrative authorities, and 6) make visits to natural and legal persons who carry out acts in contravention of financial laws.



Relevant issues for the year

A follow-up to the bankruptcy, constitutional guarantees (Amparo) lawsuits and patrimonial claims of the State related to Ficrea

Commercial insolvency

The CNBV followed up on the commercial insolvency procedure promoted by various Ficrea savers.

As of December 2018, this procedure was in the bankruptcy stage, and 4,922 creditors were recognized, to whom the trustee has made five partial payments (in June and December 2016, September 2017, March and December 2018), corresponding to the recovery and sale of the company's assets, portfolio, sale of real estate and auctions.

Amparo lawsuits

In the same sense, we followed up on the Amparo lawsuits filed by savers, in which they demanded the omission of supervision by the CNBV, as well as the intervention, revocation, liquidation, dissolution, as well as partial and temporary suspension of the entity's activities.

Of the 98 existing Amparo lawsuits:

- 95 have been definitively resolved in favor of the interests of the Commission, among which the following stand out:
 - » 4 amparos in a review that the Collegiate Courts resolved favorably, when revoking the sentence dictated by the Eighth District Court in Administrative Matters that granted the amparo, and instead of dismissing them.
 - » 1 amparo in which the Supreme Court of Justice of the Nation analyzed the LACP and determined that it did not violate the hearing and property rights of savers
- 3 lawsuits pending, with the following status:
 - » 1 lawsuit has been filed in the District Court, pending the issuance of the corresponding sentence.
 - » 2 lawsuits are pending resolution in the second instance. The appeal for review was filed by the complainants against rulings in favor of the CNBV.

Patrimonial claims of the State

In 2018, the CNBV issued 24 resolutions in which it determined to deny the compensation requested because the acts attributed to this body were in accordance with the law.

Revocations to SOFIPO

In the matter of revocation procedures to the authorization to operate as a financial entity, in 2018, the Board of Governors of the CNBV agreed to the revocation of five SOFIPO, of which those of the companies that did not comply with

the capitalization requirements that were applicable to them and that repeatedly refused to provide information to this Commission stand out.

The civil lawsuit against OHL

The CNBV was a co-defendant in an ordinary commercial lawsuit, before a Judge of First Instance in the CDMX, which claims the nullity of OHL Mexico's takeover bid, authorized in April 2018. The claim includes the payment of damages, expenses, and costs generated by the trial process.

In that sense, the Commission replied to the lawsuit, thus opposing the exception of incompetence for decline before said court. To date, the matter is pending resolution.

It is worth mentioning that various means of defense were filed in order for the Judge to be declared incompetent to hear the said trial. The above with the argument that article 53, section I of the Organic Law of the Judiciary of the Federation (Ley Organica del Poder Judicial de la Federacion) foresees that it is up to the federal civil district judges to hear civil disputes arising from the compliance and application of federal laws, since in this case, which is intended for trial is a Decentralized Body of the SHCP, from acts carried out as an administrative authority.

Amparo trials relating to the certification of compliance officers and auditors in AML matters

As a result of the certification process of independent external auditors, compliance officers and other professionals in the area of AML/CTF prevention, in accordance with the relevant legal provisions, six Amparo lawsuits have been filed by individuals, in which they complain: 1) failure of the exam to be certified in AML matters, 2) refusal of the Commission to review its failed exam, 3) constitutionality of the provisions and corresponding call, and 4) validity of the Centro Nacional de Evaluación para la Educación Superior (CENEVAL) being in charge of applying the exam, instead of the CNBV.

The granting of the amparo would force the CNBV to make known to the complainants the questions and answers of the certification exams, affecting the certification process.

In 2018, one of the lawsuits was finally resolved, considering that the acts claimed are not acts of authority for the purposes of the protection promoted, while the rest are pending to be resolved in the second instance.

Recognition as an institution trained in transparency and access to information

For the second time, in 2018, the CNBV was recognized as 100% trained qualified institution in transparency and access to information, granted by the National Institute of Transparency, Access to Information and Protection of Personal Data (INAI). The institute evaluated the Commission's compliance with its transparency obligations for the period from 2015 to the first quarter of 2018, notifying that it obtained an overall rating of 90.7%.

The recognition obtained confirms that all the Commissions' command staff, from inspectors and specialists to vice-presidents and their head, were trained on current regulations on transparency, access to public information and protection of personal data, as part of the commitment to accountability.



5.3 Regular activities

5.3.1. Sanctions

Sanctions issuing activities

In the reporting period, 1,673 administrative sanctions (warnings, fines, and disqualifications) were issued to the supervised financial entities, as well as to various natural and legal persons that violated the applicable regulations, of which 39.6% were warnings. In 60% of the cases, fines were imposed, the total amount added at the close of 2018 was higher than \$347.3 million MXN, while in the remaining 0.4%, disqualifications were imposed on seven officials, as detailed in Annex H of this report.

5.3.2. Offense opinions

The Federal Attorney General's Office (PFF) and the PGR, in addition to other authorities, during 2018, requested technical support in the matter of those special offenses foreseen in the laws of the financial system. In this sense, the CNBV issued 114 offense opinions, of which 22.8% correspond to irregular deposit-taking activities, and 54 were positive to support, where appropriate, criminal actions. This made it possible to continue with the corresponding procedures against the violators of the aforementioned laws.



5.3.3. Contentious affairs

Appeals for review, waivers, patrimonial liability, and nullity proceedings.

In 2018, 548 cases were dealt with (95 were review appeals, eleven patrimonial liability claims, eight requests for remission and 434 nullity proceedings), and the following resolutions were issued:

- 69 resolutions of appeals for review, of which in 28 confirmed the act appealed.
- 11 resolutions of state liability claims. Ten were dismissed, and one was resolved unfounded.
- 2 resolutions of requests for remission were granted in one case, while in the other it was denied.

In relation to the nullity proceedings, 369 judgements were received, recognizing the validity of the challenged acts of the CNBV, in 126 cases. To date, 31 of them are final.

Amparo trials

During 2018, 1,906 Amparo lawsuits of various types were received: seizures or securing of bank accounts, the constitutionality of financial rules, imposition of sanctions, cancellation of registrations, suspension of operations, and rights of petition, among others. From these lawsuits, 101 were filed against acts of the CNBV in its capacity as ordering authority, and the remaining 1,805 claim acts of the institution as executing authority (freezing, seizure, and/or securing of bank accounts).

A total of 216 cases corresponding to prior years were also definitively concluded. Of these, eight related to lawsuits against the Commission's own acts and the remaining 208 concerned lawsuits in which the institution was identified as the executing authority.

Civil and mercantile proceedings

In 2018, the CNBV initiated seventeen civil and mercantile proceedings, corresponding to proceedings in which it is suing different financial entities or in which it has been summoned as a defendant or third party to a trial.

With respect to the resolutions, eleven mercantile proceedings were favorably resolved, designating the Service for the Administration and Disposal of Assets (SAE) as the liquidator and/or ordering the cancellation of the registration of the financial entities involved before the respective public registry.

At the end of the year, 226 pending civil and mercantile lawsuits relating to previous years are still being followed up.

Revocations

With respect to procedures for revoking the authorization to operate as a financial entity, in 2018 the CNBV's Board of Governors agreed to revoke nine financial entities: two SOCAPs, two credit unions, and five SOFIPOs, by incurring various revocation grounds established in the applicable regulations, according to Annex I of this report.

Cancellation of registration of currency exchange centers, money transfer companies, and investment advisors.

During 2018, the registration of 41 compelled subjects (35 currency exchange centers and six investment advisors) was canceled. In 37 cases, registration was canceled at the request of the respective entity (31 currency exchange centers and six investment advisors), while in four cases, it was carried out for the infringement of applicable regulation (currency exchange centers).

Labor lawsuits

In 2018, the CNBV was sued in six labor lawsuits as an employer, which are filed with the Federal Court of Conciliation and Arbitration.

In addition, 28 pending lawsuits, initiated in previous years, were followed up, in which sixteen are pending, and twelve were resolved through acquittals by winning the main action. However, of the latter, four are pending execution, by virtue of the fact that it was ordered to pay proportional parts of the accessory benefits claimed. These favorable resolutions implied an approximate saving of \$12.8 million MXN for the CNBV, in relation to the total of the claimed benefits.

On the other hand, six labor lawsuits were initiated in which the Commission is co-defendant, which are filed before the Federal Conciliation and Arbitration Board. However, given that there are still pending matters received in other years, the sum to be followed up amounts to 151 cases.

Dissolution and liquidation proceedings of SOCAP

During the year, administrative dissolution and liquidation proceedings were initiated against fourteen SOCAP, classified in category D by the Focoop. Adding up the procedures of the previous year, at the close of 2018, 123 procedures were in process.

Proceedings before the National Human Rights Commission (CNDH)

In 2018, three procedures were filed with the CNDH, so in addition to those from the previous year, which are still pending, a total of six procedures were followed. Of these, three were concluded in favor of the CNBV, as it was determined that this body did not violate the human rights of individuals, leaving only three procedures pending.

Transparency, access to information and data protection

During 2018, the Transparency Unit received 762 requests for information and 54 appeals for review against the responses given by this body. All requests for information were dealt with in a timely manner, of which 700 were submitted electronically through the National Transparency Platform, and the remaining 62 were received in free writing.

With respect to the appeals for review, these were solved by the INAI as follows: nine dismissed the appeal, nineteen upheld the response of this obligated party, sixteen modified it, and ten revoked it.

In addition, the index of reserved files, corresponding to the second half of 2017 and the first half of 2018 was prepared and published on the Commission's website in order to comply with the applicable regulations on transparency and access to public information..

Attention to authority and private requirements

In the course of 2018, 3,339 requirements were received, of which 2,907 were formulated by various authorities (judicial, public ministries, and labor) that do not correspond to the blocking, securing of accounts, or operations carried out by the public in the supervised entities. At the end of the year, 95% of the requirements were met.

On the other hand, 432 written submissions were filed by individuals, in which complaints and denunciations were filed that do not fall within the scope of the CNBV's competence, as they deal with conflicts between users and financial entities. 95% of these requests were met at the end of 2018.

5.3.4. Attention to other authorities

During 2018, 216,236 requests were received from the competent federal, judicial, and administrative tax authorities, representing an increase of 2.6% over the previous year. Approximately 8.6 million official letters were issued to the financial entities.

A total of 211,718 requests for 2017 and 2018 matters were concluded, with a five-day decrease in the average response time with respect to the previous year, notwithstanding the aforementioned increase. This resulted in a better service to the authorities requesting to achieve their faculties.

With respect to the advances in the incorporation of authorities in the System of Attention to Authority Requirements (Siara), which enables them to send and receive information and documentation electronically, in 2018, the number of general authorities²³ rose to 88 and 903 in specific authorities²⁴. This has led to savings and shorter times in sending requests to the CNBV, as well as greater security in the handling of information.

The incorporation of a greater number of authorities to Siara has been a dynamic work, constituting a challenge for the Commission, due to the need to train the users of the platform and the constant rotation of its personnel, so this activity is carried out continuously and sometimes in a single event, as occurred with the training to the Finance Ministries of the states of Sinaloa, Durango and Nayarit states, which facilitated their incorporation in the same year.

With regard to the application of sanctions to financial entities for non-compliance in the area of attention to authorities, in 2018, a total of 25,911 requests for sanctions were made to the compelled entities for non-compliance committed during 2017.

23/ Judicial, tax federal and administrative authorities, indicated in articles 142 of the LIC, 34 of the LACP, 44 of the LUC, 69 of the LRASCAP, 55 of the LFI, 73 of the Fintech Law and 192 of the LMV

24/ Administrative units of a general authority that, in accordance with its organic law or internal regulation, form part of its structure with the competence determined by its legal regulations



6.

THE CNBV AND THE LINK WITH ITS ENVIRONMENT

6.1 Introduction

This section contains the main results for four highly relevant activities: international cooperation, economic studies, financial inclusion, and social communication.

Firstly, the participation of the CNBV in various schemes of international cooperation in matters of regulation and supervision, both financial and banking, is presented. In this regard, it describes the relevant results derived from the links that exist with foreign bodies, as well as those obtained through collaboration mechanisms. In this way, it seeks to strengthen the international cooperation of the CNBV with other counterpart authorities and to consolidate Mexico's position in the world.

Secondly, the activities carried out in the area of economic studies, which focus on strengthening the regulation and supervision of the CNBV, are presented. This is done through research on topics of interest to the institution, as well as technical documents aimed at improving understanding of the Financial System in Mexico and supporting decision-making.

This chapter contains, thirdly, the main activities carried out in the field of financial inclusion, the objective of which is to promote greater access of the population to basic financial services at the national, regional, and global levels.

Finally, fourthly, the results are presented on the dissemination of institutional messages through the national and international media on the behavior of regulated and supervised intermediaries, as well as the actions that were undertaken by the CNBV in fulfillment of its mandate.

For the CNBV, permanent interaction with national and international bodies related to its regulatory and supervisory tasks, as well as the preparation of studies and surveys related to financial inclusion, are relevant instruments for continuing to deploy resources and efforts for the continuous improvement of its functions. In this way, through links with various bodies, it feeds back its actions and contributes to its experience. In this area, the following actions stand out:

ENIF 2018 Results

The CNBV, in collaboration with the National Institute of Statistics and Geography (INEGI), carried out ENIF 2018, the results of which were presented in November 2018. This survey was carried out with the purpose of generating information and official indicators at national and regional levels that allow financial authorities to diagnose, design, and monitor public policies and establish goals in matters of inclusion and financial education.

The design of the ENIF 2018 sample was aimed at a population between eighteen and seventy years of age, which permanently resides in housing within the national territory, thus allowing results to be obtained at the national and regional levels, by locality size and by gender with respect to access to and use of financial services.

The questionnaire was also modified to incorporate new topics including: financial literacy, financial perspectives regarding old age or retirement, the incidence of fraud, and transparency.

The first ENIF in 2012 served as a reference point for measuring demand for basic financial services in Mexico. The results obtained in 2015 and 2018 give continuity to the measurement of the impact of the public policies generated and continue to explore the barriers and perceptions of users regarding access to and use of financial services in the country.

For the first time, ENIF 2018 provides data at the regional level and denotes that the Northwest region has the higher percentage of financially included population, with 82%; followed by the Northeast, 75%, South 68%; Occident and Bajío, 67%, and the Central South and East regions, 60%. Notably, 72% of the adult population living in CDMX is financially included.

Additionally, ENIF results reveal that: 1) the number of adults with accounts, credits, insurance, and afores increased, 2) the number of adults with more than one financial product grew 9.8 million from 2012 to 2018, 3) the gender gap has narrowed to only three pp in accounts holdings, and 4) the Northwest region shows the higher percentage of population financially included.

On the other hand, the number of adults using correspondents was increased by ten pp from 2012 to 2018, representing an increase of 10.4 million adults.

In terms of consumer protection, 53% of adults know the bodies to which they can turn to file a claim if they have a financial problem. While 25% of adults know that savings in banks or financial institutions are protected by insurance.

With regard to financial education, most adults understand the main financial concepts, since, for example, 95% of the respondents understand the concept of interest and 90% inflation; however, only one in three can calculate a compound interest rate.

Finally, regarding income and pensions, 42% of the adult population reported that, during the last year, in some month, their monthly income was not enough to cover their expenses, and 34% of adults plan to cover their expenses in old age with their pension and supplement with other means. However, only 4.9% of adults make voluntary contributions to their afores.

Presentation of interactive maps for the analysis of the financial inclusion in Mexico

The CNBV, with the support of the MetLife Foundation and MixMarket, presented in February 2018, the official launch of the FINclusion Lab web site with interactive maps, which was the result of a project carried out with information on financial inclusion, published by the CNBV in terms of access points, deposit-taking and credit products, and socio-demographic characteristics of the states and municipalities in Mexico. In June 2018, this information was updated.

Through the dissemination of information that expands knowledge about the supply and demand of the financial system, it seeks to support in the evaluation and monitoring of strategies and policies that allow resources to be directed, results to be made known and lessons learned to be considered for future efforts, and consequently to strengthen and develop financial inclusion in the country, to the benefit of the public, policymakers and financial services providers.

AFI Working Groups

From March 5 to 8, 2018, the CNBV hosted the Financial Inclusion Data Working Group and the Consumer Empowerment and Market conduct of Working Group, both from AFI, which were intended to serve as platforms for knowledge generation and experience sharing among participants, as well as to discuss technical aspects of financial inclusion policies.

During the meetings held in the city of Merida, Yucatan, more than 80 representatives from various regions of the world were received. Among the most relevant topics that were discussed were: 1) actions to promote financial inclusion in Mexico, 2) data on financial inclusion disaggregated by gender, 3) measuring financial capacities, and 4) results of the survey on consumer protection for women, among others.



IX Meeting of Supervisors of the Pacific Alliance

The Pacific Alliance (PA) emerged as an economic and development initiative between four Latin American nations (Chile, Colombia, Mexico, and Peru), with the objective of establishing a mechanism for political, economic, cooperation and integration articulation that promotes greater growth and competitiveness in the four economies, seeking the free movement of goods, services, capital, and people.

With respect to the financial sector, as a result of the Financial Reform in 2014, the CNBV adhered to the memorandum of understanding with counterpart stock market authorities in each PA member country, in order to have channels for the proper coordination of supervision and monitoring of the Latin American Integrated Market (MILA). Derived from this, each authority complies with a series of obligations of the PA members, which include maintaining close collaboration and communication with homologous authorities from abroad, as well as organizing the annual meeting of PA supervisors, under a rotating basis called Pacific Alliance Meeting of Supervisors.

That is why, on March 13 and 14, 2018, the Commission was the host authority of the IX Meeting of PA Supervisors, held at CDMX. The meeting was attended by stock exchange regulatory authorities, finance ministries, and representatives of the stock exchange sector to analyze the evolution of the market and identify the existing barriers (regulatory and operational). The main topics discussed were the MILA and the Investment Fund Passport (PFI). The scope of the Fintech Law in Mexico was also discussed in detail.

The agreements of the meeting were the following:

- Preparation of a prioritized agenda with concrete actions, which will serve as an input for supervisors to implement their work plan, in order to promote greater financial integration of the PA among market participants in each member country.

Participants committed to including within such an agenda, an analysis of the tax regimes in each of the four countries

- With respect to the declaration of intentions on the establishment of the PFI, and with the objective of continuing its development, the supervisors committed to creating a working group among technical officials who will identify the practical and operational aspects that affect the commercialization and distribution of these vehicles.
- Additionally, it was agreed to generate an information platform containing essential elements, such as applicable regulations, procedures, and other relevant aspects, to facilitate access to the different markets, and thus promote investment.

The results were reported in the XIII Summit of Heads of State of the PA, held on July 23 and 24, 2018 in Puerto Vallarta. The topics discussed, within the scope of the CNBV's competence, included the 2030 vision of the PA, the MILA, and the PFI.

Subsequently, in October 2018, within the framework of the summit held, the ministries of finance were instructed to carry out an assessment of the issue and present it at the next meeting.

Second Pacific Alliance Fintech Forum

Within the framework of the PA and with the purpose of exchanging experiences and best practices associated with financial innovation and its impact on financial inclusion, in June 2018, CNBV organized the second Fintech Forum in Mexico.

The event brought together the financial authorities of Mexico and the PA, as well as international and regional financial organizations. The fintech industry also had an important participation as moderators and/or exhibitors of the topics discussed which were the following:

1. Fintech industry perspective, given the regulatory environment and market evolution in Latin America.
2. Development of regulatory principles in fintech matters: 1) stability in the financial system, 2) competition, 3) customer protection from the fintech perspective, 4) financial inclusion, 5) financial innovation, and 6) AML/CTF.

At the conclusion of the forum, the authorities committed to continue collaborating to have a regulatory and supervisory framework for fintech that is aligned with the aforementioned principles for the countries that make up the PA.

Fintech collaboration agreement between IIMV member authorities

The CNBV has the power to draw up and negotiate legal instruments and agreements with international organizations or authorities in other countries that have regulatory and supervisory functions similar to its own. These mechanisms facilitate international cooperation to exchange information in order to: 1) ensure regulatory compliance, 2) conduct inspection visits to entities located in other jurisdictions and implement coordinated actions of common interest, 3) provide and receive technical assistance, and 4) share alerts to disclose potential risk situations that could affect the stability of financial systems.

Depending on the number of parties involved, cooperation mechanisms may be bilateral or multilateral. Depending on the topics they cover, they can be banking, stock market, or specialized.

In this sense, in June 2017, it was proposed to formalize a Framework Agreement for collaboration, consultation and exchange of information on fintech projects among their members, whose objective is to establish the framework under which collaboration and consultation activities will be carried out among the signatory authorities in relation to Fintech and RegTech projects, facilitating the mutual exchange of experiences and knowledge, while allowing them to participate in joint initiatives such as work sessions, fairs, seminars, common testing spaces, and any others considered relevant by said authorities.

In addition, the purpose of the agreement is to strengthen cooperation between the signatory authorities to make it easier for entrepreneurs of fintech projects to contact the authority of the country where they need to establish their business and, where appropriate, to apply to that authority for the corresponding authorization or registration for its implementation, in accordance with the regulations in force in the respective country.

The CNBV signed the letter of adherence to the agreement on June 30, 2018, the date of entry into force. Likewise, said instrument was sent to the Ministry of Foreign Affairs for registration.

The general principles expressed by the authorities under which the agreement was signed are the willingness to cooperate with each other on a basis of reciprocity, trust, and mutual understanding, in order to provide the best and most effective compliance with the provisions of the instrument, and do not create enforceable rights, binding obligations, nor limit, condition or extend the powers and competences of the signatory authorities granted by the applicable regulation in their respective country.

With the above, the CNBV endorsed its commitment to establish in a timely manner international cooperation relations with the most important foreign authorities. In addition, it helps to face the current challenges of the markets, in accordance with the changes that arise at the international level.



International affairs

Throughout 2018, the CNBV collaborated on financial regulation and supervision issues in different international banking, stock market and popular savings and loan organizations, of which it is a member. Participation was through committees and working groups that were carried out in person, virtually or electronically. It is worth noting that more than a quarter of the total number of participations were carried out virtually or electronically in order to contribute with the objectives of austerity and responsibility in the use of resources.

Some of these working groups addressed specific issues such as AML/CTF, financial inclusion, and regional market integration.

Annex J (List of international committees and working groups in which CNBV officials participate) provides full details of these working groups.

Due to its relevance, the participation of the CNBV in the following bodies is noteworthy:

- Financial Stability Board (FSB)
- Basel Committee on Banking Supervision (BCBS)
- International Organization of Securities Commissions (IOSCO)
- Financial Action Task Force (FATF)

Through these participations, the CNBV has continued to develop, adopt and evaluate international standards and best practices in this area in order to strengthen the regulatory framework of the current Financial System in Mexico, favoring the exchange of experiences with homologous authorities in other countries.

Cooperation with these bodies has strengthened the position of the CNBV in the international environment, offering it a broad perspective of current market trends, providing elements for the timely identification of potential risks and vulnerabilities in the financial markets.

In addition to the participation in the groups and meetings, the CNBV contributed with information and expert opinions for the development of relevant documents jointly prepared by various authorities and multilateral organizations. Its objective is to generate principles, standards, recommendations, and guidelines to achieve a more stable, integral, and transparent international financial system.

Likewise, officials of the CNBV participated in peer reviews conducted at the international level in relation to the implementation of the standards issued as a result of the 2008 financial crisis.

During 2018, the CNBV continued to lead the region's efforts in stock market matters, through the chairmanship of two bodies: the Inter-American Regional Committee (IARC), of IOSCO, which is made up of 28 authorities for the regulation and supervision of capital and derivatives markets of the Americas; and the Council of Securities Regulators of the Americas (COSRA), made up more than 50 members, including authorities, self-regulatory bodies, and other entities from the stock market sector.

Under the Commission's leadership, the region's stock market supervisors discussed market trends, emerging risks and regulatory reforms undertaken to address them, including issues of fintech, cybersecurity, virtual currencies, artificial intelligence, and machine learning.

During the reporting period, the program of the North American Securities Associations (NASAA) continued, opening its technical training programs to the continent's authorities and thus strengthening supervisors.



Research and economic studies

Throughout 2018, analyses, reports, and other activities on various topics of the financial system were carried out to support the substantive tasks of the CNBV, focused primarily on providing technical elements to support decision-making and enrich the debate on issues of interest to financial authorities, market participants and the general public. a proporcionar elementos técnicos

In that sense and in order to provide relevant information to the general public, the Commission published on a quarterly basis the Report on Financial Savings and Financing in Mexico, which describes the evolution of relevant indicators and instruments related to financial intermediation. The database accompanying the report was also published, with quarterly information starting in September 2000.

On the other hand, between August and October 2018, the National Survey on Financing of Companies 2018 (ENAFIN 2018) was carried out, with the objective of collecting statistical information that allows identifying the needs, sources and conditions of access to financing and financial services by non-financial private companies in Mexico. The information collected will be useful for the design of public policies that contribute to the development of the financial system and boost the country's economic growth.

With regard to the studies, reports, and special projects developed, the following are noteworthy:

- Design of the macroeconomic scenarios of the ESC-ES for brokerage houses and IBM, to evaluate their adequate operation in terms of capital adequacy, even under conditions of economic and financial stress.
- Review of the macroeconomic scenario projections made by IBMs under their own scenarios, in order to know the short and medium-term risks that said institutions identified.

- Elaboration of periodic reports of internal circulation that synthesize the main indicators in economic and financial subjects.

The weekly economy and markets report stands out with information on the latest events in the stock, exchange and debt markets, relevant news, and selected economic indicators of Mexico and other countries

In addition, in order to provide an overview of the financial system as a whole, two monthly reports are prepared, one about the economic evolution of Mexico and the other one on the general situation of the sectors that make up the financial system.

- Participation in forums, events, and working groups, both in Mexico and internationally, collaborating in the preparation of documents and taking part in discussions to share opinions and experiences with other financial regulators and supervisors, as well as with experts in economic and financial issues of common interest.



Financial inclusion

The CNBV contributes to financial inclusion by providing information on its status in the country, by conducting studies on the four dimensions that comprise it: access, use, protection, and financial education. It also serves as a consultation body for the federal government on issues related to the healthy and balanced development of the Financial System in Mexico, in its capacity as Executive Secretary of the National Financial Inclusion Board (Conaif) and as a member of the Financial Education Committee. Finally, it participates in international organizations related to financial inclusion and education.

Publication of the Ninth National Report on Financial Inclusion

In August 2018, the ninth edition of the report was published. It presents the evolution of indicators related to financial infrastructure points, as well as the number of deposit-taking accounts and credit contracts, both for individuals and companies, and the retirement savings accounts or Afores. It also describes the penetration of the insurance sector, the modifications and actions to protect users of financial services, and the state of financial education in Mexico.

It should be noted that for the first time in the chapter on financial infrastructure, a georeferenced analysis of the location of the main access points to the financial system is included, allowing the gaps in financial infrastructure at the local level to be seen. Finally, the report presents the main elements of the Fintech Law, and addresses the state of gender gaps in financial services.

National Financial Inclusion Board

The Conaif is the consultation, advisory and coordination body among the country's financial authorities, which aims to formulate, implement, and monitor the National Financial Inclusion Policy (PNIF). During 2018, Conaif held two ordinary sessions in which the following topics were presented:

- The fourteenth session, in September: 1) operational results of the ENIF 2018, 2) main findings of the Ninth RNIF, 3) results of the World Bank's Global Findex 2017 Survey and, 4) the status of the World Bank's Global Financial Inclusion Initiative.

As a result of the meeting, the agreement for the CNBV to improve the quality of the questionnaire and the fielding survey of the Global Findex 2020 survey, with the support of the World Bank, stands out.

- The fifteenth session, in November: 1) main findings of the ENIF 2018 and, 2) the PNIF Annual Report.

Conaif measurement group

The group aims to generate more and better financial inclusion measures and studies, as well as to be the official source of inclusion data for Mexico. In 2018, the group held two sessions in which the following topics were presented and discussed:

- The fourth session, in February: 1) platform where the interactive maps of financial inclusion are housed, 2) location and barriers to the growth of correspondents in Mexico and 3) lifting of ENIF 2018.
- The fifth session, in August: 1) georeferenced analysis of access points in Mexico and results of the World Bank's Global Findex survey, 2) status of the ENIF 2018 survey, and 3) discussion of indicators of financial inclusion, financial education, and fintech.

Indicators disaggregated by gender

During the reporting period, with the support of the IDB and based on the reports sent by the financial entities to the Commission, a diagnosis was made of the information on financial inclusion disaggregated by gender, both for individuals and companies, and a proposal for indicators was developed. In addition, there was a collaboration in the preparation of a document on the main findings and lessons learned in Mexico, in the area of data collection, called: Data on financial inclusion with a gender perspective in Mexico: Case Study.

National Financial Education Week (SNEF)

The CNBV participated, for the sixth time, at the SNEF 2018 headquarters. In this eleventh edition, the presence of the CNBV consisted in showing the public dynamics to publicize topics related to its functions, such as consultations to the PES; savings and the importance of this being carried out in institutions supervised by the Commission, and consequently supported by savings protection schemes; and credit and investment, among others.



Social communication

In terms of communication, in 2018, the CNBV issued 74 press releases with statistical and financial information on the supervised sectors, ICAP, Fintech Law and current affairs, among others.

Such information was replicated by the media through portals, press, radio, and television, through 19,098 notes..

It should be noted that the official Twitter account of the institution reached 185,000 followers, representing an increase of 26,500 in 2018.

Regarding the Facebook account, the dissemination of information through this medium began, adding 4,000 followers during the year.



7.

MANAGEMENT

7.1 Introduction

This section describes the main administrative activities, recognizing their importance for the operation and good performance of the CNBV in 2018, as well as the achievement of the objectives set throughout the administration, within a framework of efficiency, transparency, austerity, and accountability. The knowledge, experience and skills of all personnel are noteworthy, in order to create a suitable working environment consistent with the principles and objectives of the CNBV.

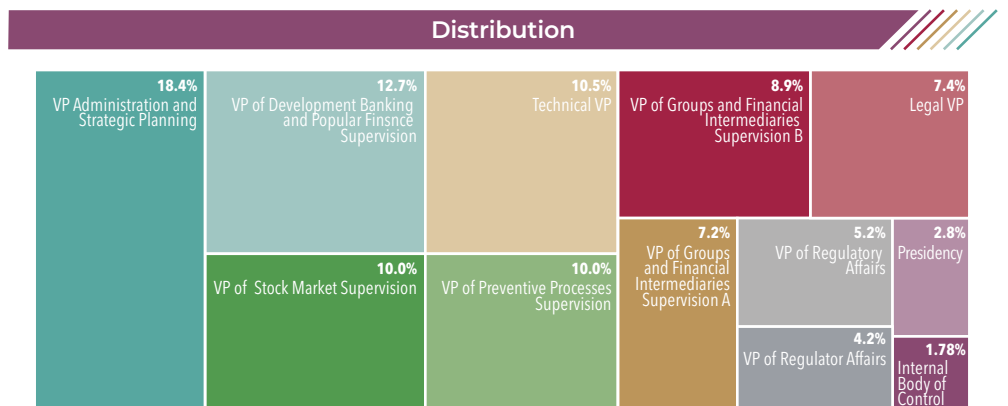
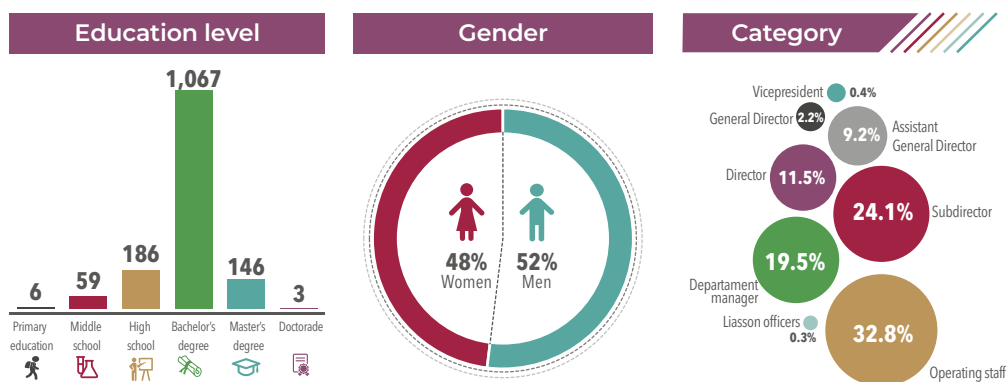
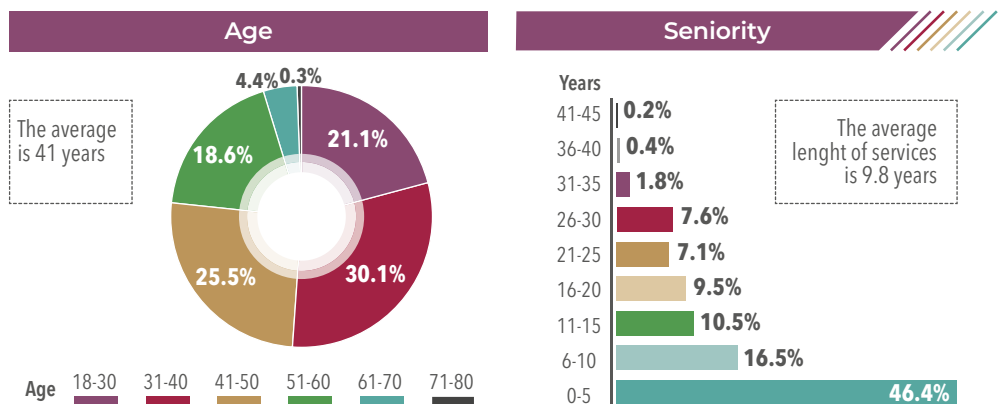
In this way, important projects were consolidated for the development of the staff, the improvement of the organizational climate, the reinforcement of the use of technological platforms, the strengthening of internal control and process management, as well as the achievement of the objectives of the Strategic Plan.



7.2 CNBV People

Personnel profile

The CNBV considers human capital as a key factor for the fulfillment of its objectives and responsibilities, being our main asset, made up of 1,467 public servants who work in it.



On the other hand, in order to support the different areas of the CNBV and contribute to institutional strengthening, 569 students from different universities and higher education institutions, performed their social service and/or internships at the Commission, thus promoting their training in the space of professional growth.

Gender equality

The CNBV is an organization that values people and promotes the empowerment of women. Its continuous work is reflected in an inclusive environment, with equal opportunities providing important benefits to the institution.

In accordance with the above, the Commission recognizes the professional capacity of its female public officers to hold managerial positions (which range from Director to President), noting that for a second consecutive year, three female public officers held positions at the level of Vice-president.

Additionally, during 2018, gender equality was promoted in an important way through training and education programs to develop the potential of CNBV personnel and favor their personal growth, guaranteeing impartiality in the equal participation of women and men.

Social projects

Through social projects, the CNBV promotes the organizational culture to have better collaborators who have participative leadership and are supportive, committed to service and respectful of human rights and dignity. These programs promote a sense of belonging to an institution that is concerned with the development of social causes that impact family inclusion and the improvement of society, managing to motivate and make the staff proud.

All these actions aim at the CNBV being considered as a socially responsible entity and an organization committed to its causes, adding value to the institution.

The CNBV has identified and collaborated in social causes such as the fight against childhood cancer, protection, and care of the elderly, as well as support for street children and orphans, people with chronic illnesses and low-income families, which is why the following activities stood out in 2018:

- **Collections:**

- » Clothes, groceries, personal hygiene items, products for children and low-income families for Fundación Caritas San Marón I.A.P.
- » Groceries, personal hygiene items, and cleaning materials for the assistance of children, teenagers, and young people in street situations for Fundación Renacimiento I.A.P.
- » Groceries, hygiene items, clothes, and toys for Fundación Proayuda de niños con cancer, Luz de Vida Foundation A.C."
- » Plastic caps for the support of children under 21 years of age with a diagnosis of cancer for Fundación Alianza Anticáncer Infantil.
- » School supplies for Fundación Ministerios de Amor, Casa Hogar de Niñas en Orfandad.
- » Delivery of geriatric medications for Casa Hogar Centro del Recobro A.C.
- » Collection of caps and PET bottles for the Mexican Association of Help to Children with Cancer).

- **Volunteering:**

- » Three visits to the Fundación Ángeles de Ayuda senior citizen rest home.
- » Celebration of children's day at the Casa Hogar of Yolia Association for children in street situations.
- » Five visits to orphan girls in Casa Hogar de Ministerios de Amor, whose objective is to share our time and experiences.
- » Visits to people with chronic diseases in the Albergue la Esperanza de Voluntarias Vicentinas I.A.P.

Restructuring of the CNBV related to the entry into force of the Fintech Law

In March 2018, the Decree that issued the Fintech Law was published, and various provisions are reformed and added to the laws of the Financial System in Mexico, which provide that FTIs shall be subject to the authorization and supervision of the CNBV, and other financial authorities, such as Banxico and CONDUSEF.

Derived from this publication, an analysis was made of the requirements and needs in terms of positions, material, and technological resources of the administrative units of the CNBV, whose activities are related to the compliance with the Fintech Law, in accordance to the dates established therein. As a result of the analysis, the necessary steps were taken before the SHCP and the Ministry of Public Function (SFP) to authorize the creation of necessary positions in order to guarantee the fulfillment of the new attributions in charge of the CNBV.

Certification in the Mexican Standard NMX-R-025-SCFI-2015 for labor equality and non-discrimination

In the period reported, the CNBV obtained the certification in the standard, by participating in the voluntary adoption mechanism, which recognizes workplaces that have practices in the area of labor equality and non-discrimination, with the objective of favoring the integral development of workers.

In view of the above and as a requirement of the standard, the CNBV's Committee on Equality in the Workplace and Non-Discrimination (CILND-CNBV) was set to follow-up on complaints filed by Commission personnel regarding harassment in the workplace or in the event of being subjected to any discriminatory act.

In addition, the Policy of Equality in the Workplace and Non-Discrimination was established, the aim of which is to guarantee a culture of respect for the diversity of all CNBV personnel, in a working environment free of discrimination and of any other form of violence.

A platform for the delivery of information of securities issuers in the XBRL standard

The actions carried out in recent years to enable securities issuers to disclose and deliver to the Commission their annual and quarterly financial information in the standard known as XBRL were continued. In this regard, the project implemented in 2017 to update the technological platform to receive, validate, store, exploit, and publish such information in the aforementioned standard continued.

In the period reported, the update to the platform has allowed the integration of fourteen new taxonomies, as well as the receipt of more than 2,610 documents from 221 securities issuers, in said standard.

With this, the CNBV is part of the more than 450 regulatory organizations and government agencies that have implemented the standardization of information exchange with XBRL, seeking that the general public has more agile access to such information and favors decision-making of the general investing public. In addition, these taxonomies ensure that the information presented by the issuers is accurate, allowing it to be processed in a standard and comparable manner.

Likewise, within the scope of the project, the platform-tools (New Issuances System (SNE), RNV and Securities Information Transfer System (STIV)) were updated, with the aim of complying with various regulatory modifications, ensure their interconnectivity and improving the exploitation of the information for decision making.

Automatic and digitally signed response to authorities

In order to achieve efficiencies in the process of serving the tax authorities, during 2018, a tool was developed that allows the automatic generation of official letters of response with electronic signatures.

This tool was released in November 2018 and is expected to significantly reduce the time it takes to issue, manage, and dispatch the official letters.

7.4 Regular Activities

7.4.1. Human, material and financial resources

Human resources

Training activities

In order to strengthen the technical and managerial skills of CNBV's personnel, during 2018, the Annual Training Program was followed up with nine specific programs and 4,767 actions, of which the following results stand out:

Program	Objective	Actions
Substantive technical	Updating of technical and specialized knowledge, as well as the strategic technical and administrative capacities of the personnel in the substantive, legal, financial, banking, and stock market areas.	1,860 hours of training in 93 courses given to 965 public officers.
International training	Updating of technical and specialized knowledge, derived from the collaboration agreements between the CNBV and international counterpart organizations.	23 training actions for 273 public officers. Seven conferences attended by 618 public officers
Human development	To facilitate the construction of a life and career plan in which specific objectives and actions are established for their achievement, generating a positive vision of the future.	23 acciones de capacitación a 273 servidores públicos. 7 conferencias con la asistencia de 618 servidores públicos.
Civil protection	Strengthening the culture of civil protection in order to improve the capacity to respond to critical situations such as earthquakes, fires, and first aid.	Six theoretical-practical courses for brigadiers with 77 attendees.
Computing	Attention to the general needs for the acquisition of information technology knowledge of the public officers of the CNBV. In particular, the development of specialized skills required for the efficient exploitation and management of information technologies of the General Directorates of Information Technology, Information Analysis, and Supervision of Operational and Technological Risk.	17 highly specialized courses in software development and information exploitation, with the participation of 91 public officers. 37 basic courses with the participation of 328 public officers.
English	Strengthening the integral development of skills to speak, understand, interact, read and write in the English language, with the design of a modular program by levels of combined methodology within the Common European Framework of Reference (CEFR).	24 groups divided into two modules, with the attendance of 356 public officers in which 18,158 hours were invested.
Accreditation in a single examination of upper secondary level	To provide public officers who have not completed their secondary or higher education with the necessary knowledge to accredit the Single Examination of the Upper Secondary Level.	23 public officers participated in a 72-hour program, with 100% accreditation.
INAI	Make available to public officers free online courses regarding training in culture on government transparency and openness, accountability, and personal data protection in the Federal Public Administration through INAI.	1,754 public officers participated in training actions on transparency issues, thus obtaining the certification as a 100% trained institution in the subject.
Specialized Prosecutor's Office for Electoral Crimes (FEPADE)	To comply with FEPADE's instruction to make available training courses so that public officers identify the importance of correct performance and exercise of their functions in electoral matters and fairness in the contest, recognizing the electoral crimes they may incur and the sanctions that may be imposed in the event of committing them.	1,415 public officers were trained in the prevention of electoral crimes and fairness in the contest.

A total of 1,590 public officers were trained, representing 98% of the staff, who were trained as a result of these actions. They invested 98,926 hours in the training sessions and demonstrated a high level of achievement with an average score of 96 points on a scale of 0 to 100.

On the other hand, the Staff Career Public Officers (SPCT) received an average of 79 hours of training, and 93% of them covered at least 40 hours.

Other actions

With respect to the certification activities of the SPCT, as well as the performance evaluation of command and operational personnel of the CNBV, in the reported period, follow-up was made to comply with the corresponding regulations.

With respect to the information services of the Commission's library, subscriptions and inter-library agreements were continued to support employees in the performance of their duties and activities.

Activity	Objective	Actions
Certification	Punctual follow-up of the deadlines established to carry out the procedures, schedule the presentation of exams and comply with the regulations in force, so that 100% of the persons subject to the SPCT obtain their certification.	56 SPCT, which implied the application of 168 technical and management capacity exams.
Performance evaluation of command staff	Conducting the evaluation for the period January to December 2017, based on the regulations on performance evaluation and the model authorized by the SFP.	994 public officers were evaluated in January 2018, of which 313 corresponded to directly appointed positions and 681 to SPTC.
Performance evaluation of operational personnel	Carry out the procedure for operational personnel for the period July 2017 to June 2018, within the framework of the Law on Civil Awards, Incentives, and Rewards.	438 public officers evaluated at an operational level, 32 incentives, and eleven rewards were granted.
Library	Support in the performance of the functions and activities of the CNBV, making available to users in a timely manner specialized and updated information in the economic, banking, financial, and securities fields.	64,143 services to internal users and 520 services to external users through 151 subscriptions to national and international media. 12 inter-library agreements with public and private academic institutions.

Committee on Ethics and Prevention of Conflicts of Interest (CEPCI-CNBV)

During the year, the CEPCI-CNBV executed its Annual Work Program 2018 in accordance with the control board issued by the SFP's Ethics, Public Integrity, and Conflict of Interest Prevention Unit (UEIPPCI), obtaining the following results and actions:

- Compliance with the evaluation criteria and requirements of the CNBV's Code of Conduct.
- Update to the CEPCI-CNBV issues as established by the UEIPPCI, in the following topics:
 - » Code of conduct
 - » Good practices in terms of ethics, integrity, and equality in the workplace.
 - » Approval of the bases of integration, organization, and operation of the CEPCI-CNBV.
 - » Procedure to receive, register, analyze, and issue a pronouncement to the complaints that any person presents to the CEPCI-CNBV.
 - » Protocol for dealing with complaints and denunciations of non-compliance with the Code of Ethics for Public Officers of the Federal Government.
 - » Rules of integrity for the exercise of public service.
- Commemoration of the day for integrity. On the ninth day of each month, different actions were carried out, such as workshops, conferences, delivery of a promotional item and film debate.

- In addition, a photography contest was held on the theme “Which value or principle of the CNBV’s Conduct Code do you identify with?” in which the CNBV personnel and their families were invited to participate.

Gender equality

In accordance with the National Development Plan 2013-2018, during the reporting period, the CNBV gave continuity to the actions to comply with the cross-cutting strategy on the gender perspective with respect to government programs, actions, and policies.

This made it possible to reduce the gender inequality gaps around the lines of action of the National Program for Equal Opportunities and Non-Discrimination against Women, and its National Program for Equality and Non-Discrimination, with the aim of maintaining substantive equality within the CNBV. The following activities are noteworthy:

- Carrying out of the fourth edition of the week of gender and labor inclusion.
- In October, 406 public officers were trained in the areas of gender, labor inclusion, domestic violence, harassment, and / or sexual harassment and assertive communication at work.

Results of surveys on organizational climate

Organizational Climate and Culture Survey (ECCO)

In September 2018, ECCO was applied, with 1,294 respondents, representing 84% of the total personnel.

Based on the results obtained at ECCO 2018 and with the purpose of implementing strategies that contribute to improving institutional life, the Practices for the Transformation of the Organizational Climate and Culture were prepared and approved by the SFP for implementation in 2019. The main objectives of these practices are:

- To strengthen leadership development in the organization and to align the strategic focus of the staff with the Commission's Strategic Plan.
- To innovate in the development of strategies that reinforce the balance of family and work responsibilities of the Commission's collaborators.
- Promote opportunities for promotion, advancement, and entry of personnel, based on the principles of equality and non-discrimination.
- Establish feedback and follow-up actions on the performance of the public officers in command and operational personnel for their professional development.
- Disseminate areas of opportunity related to the organizational culture to all personnel.

On the other hand, according to the evaluation of the Transformation Practices 2017-2018, the CNBV scored the maximum value granted by the SFP and the second place in the decentralized organisms of the Federal Public Administration (APF).

Great Place to Work

In line with the CNBV's interest in its human capital, the organizational climate was assessed using the model established by the Great Place To Work® Institute, which evaluated the level of the Commission according to the dimensions of credibility, impartiality, respect, pride, and camaraderie, as well as management leadership and human resource practices.

In this sense, in 2018 the CNBV was ranked among the ten best places to work in the banking, insurance, and finance sectors, competing with all government and financial sector institutions, participating in this ranking.



This recognition is the result of the actions carried out to strengthen leadership and promote a culture of gender equality, among others. The actions and results achieved highlight an advance in credibility, respect, pride, and camaraderie, which is reflected in the performance of the collaborators.

Strengthening human capital

During the reporting period, 153 new staff were admitted, of whom 61 were appointed as command personnel, 38 to personnel subject to the Professional Career Service (SPC), and 54 to operational personnel.

Likewise, 321 public officers of the CNBV benefited with promotions: 115 corresponded to command personnel promotions, 79 to lateral movements of personnel subject to the SPC, 79 to internal competition winners, and 48 to operational personnel.

In 2018, the occupancy rate was above the vacancy rate, a result obtained by means of a monthly indicator that measures the relationship between actions for the occupation of positions (new entries, calls and/or promotions) and vacancy (layoffs and vacancies by promotion).

Material resources

Archiving coordination

In the framework of the program Strengthening of the Archive Systems, of the National General Archive (AGN), and the actions carried out by the CNBV, in 2018, the authorization of the Catalogue of Documentary Provision (CADIDO) 2018 of the CNBV, was achieved. In that sense, a training session was held, and the classification of files with this new archival instrument was started.

In addition, in continuity with the effort to recover warehouse space, as well as to comply with regulations on archives and transparency, during the period applications for deregistration of files were submitted to the AGN were carried out, achieving total recovery results of 80.12 linear meters.

Financial resources

The administration of the CNBV's 2018 budgetary resources was carried out in an efficient, responsible, and transparent manner. The observance of its regularization, correct operation, and compliance with the tasks entrusted to the CNBV were guaranteed at all times in accordance with the regulations established by the APF.

The main achievements during 2018 are presented below:

- In compliance with the Public Procurement Strategy of the Presidency of the Republic, 125 procurement procedures were carried out through public bidding, an invitation to at least three people and direct awarding, for a total amount of \$418.28 million MXN; these were carried out electronically through their dissemination in the SFP's CompraNet portal.

This promoted the participation of a greater number of bidders and complied with the principle of maximum publicity in the exercise of public resources, providing transparency in procurement processes and facilitating citizen access to information regarding the use of these resources.

On the other hand, contracts were made with agencies, entities, and public entities of federal character and autonomy derived from the Political Constitution of the United Mexican States, for \$98.48 million MXN.

It is worth mentioning that of the referred contracts, an amount of \$169.10 million MXN was awarded to micro, small, and medium enterprises (MSMEs).

- As for income, the financial entities subject to the supervision and monitoring of the Commission complied with the obligations established in the Federal Law of Rights in force since they covered the fees they must pay as consideration for the services they receive.

These resources were allocated to the Commission to finance its operation, in accordance with the expenditure budget approved by the Governing Board and authorized by the SHCP, as well as the law in question

- It is worth noting that more than 5,200 requests for the payment of fees for the certification of independent external auditors and other professionals, and about 1,207 requests for the payment for the renewal of technical reports to SOFOM E.N.R., currency exchange centers, and money transfer companies have been received.
- With respect to collection from debtors, payment reminders were issued for the fiscal year 2018, and payment requests for previous fiscal years. Likewise, the collection of debts for more than \$18.5 million MXN stands out.
- In order to comply with the institutional objectives, in 2018, the resources assigned were efficiently managed based on strategic priorities, thus guaranteeing sufficient financial resources. The following is the budget year:

Budgetary exercise as of December 31, 2018

Chapter	Exercised Budget (million MXN)
Personal services	\$ 1,284.19
Materials and supplies	\$ 13.80
General services	\$ 1,045.74
Transfers, allowances, grants, and other support	\$ 7.59
Total	\$ 2,351.32

The Commission's accounting and budgetary records have been kept in accordance with the applicable regulations, and therefore the CNBV was subject to several internal and external audits, from which no observations, irregularities, or proposals for improvement were detected.

As a result of the aforementioned audits, it is concluded that the statements and budgetary information are prepared, in all aspects, in accordance with the provisions set forth in the General Law of Government Accounting and the Federal Law of Budget and Treasury Responsibility and its Regulation.

- Regarding compliance with the CNBV's obligations with its suppliers, during the fiscal year 2018, more than 2,800 payment requests were received for the different expense items, which were attended to in accordance with the institution's strategic objectives and priorities.

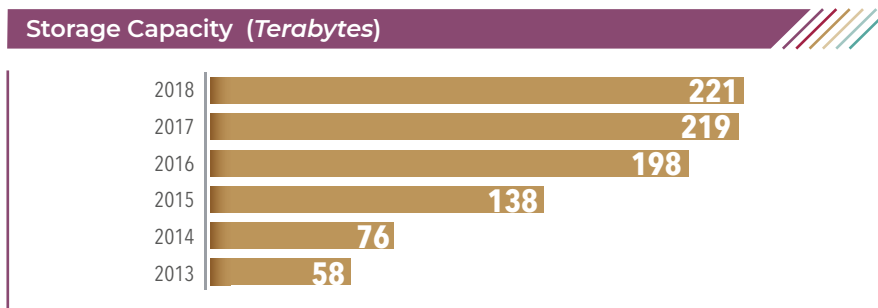
7.4.2. Information and communication technology (ICT) Management

During 2018, the IT goods and services required by the CNBV's administrative units were provided, in addition to maintaining the updating of the systems in use, improving the ICT infrastructure, and strengthening information security.

The following are highlights of the activities in ICT infrastructure and security, as well as in the area of information governance:

ICT Infrastructure

- In order to strengthen cybersecurity and monitor the CNBV's ICT systems, improvements were made to the perimeter security and monitoring service of the Security Operation Center (SOC) and the Network Operation Center (NOC), by updating their tools for monitoring, detecting and solving vulnerabilities.
- To improve the mobile communication of the CNBV personnel, a service was enabled that allows the use of the Commission's telephone extension on devices with iOS and Android operating systems (smartphones, laptops, and tablets). The service also allows conferences, transfers, and call waiting.
- In order to dynamically increase the computing capacities according to the demand of the CNBV areas, the ICT processing and storage components used to receive, process, analyze, and store information were updated.



Specialized digital communication services

- The use of a collaboration services tool (WebEx) was promoted to carry out teleconferences and videoconferences, both inside and outside of the Commission's premises, without the need for additional expenditure.
- In order to guarantee the continuity of the transactions of the operations and systems that support the substantive processes of the CNBV, the internal data communication, and monitoring service was updated, which has advanced mechanisms of high availability and security for the control of network access.
- A specialized platform was implemented for the administration, updating, and monitoring of the computing server infrastructure, through the installation and configuration of various tools. As a result, there is real-time information about the availability, performance, capacity, incidents, inventories, and updating requirements of the servers.

Information Security

During 2018, the improvement of the Information security management system (SGSI) was continued, in accordance with current regulations, best practices, and international standards. In this respect, the following actions stand out:

- Strengthening of information security processes, including, among others, the creation of specific policies, controls, standards, and procedures for the protection of information assets.

- Reinforcement of cybersecurity technology capabilities, through a layered security architecture that enables the prevention, detection, and containment of emerging threats.
- Dissemination of an internal communication program to the CNBV employees to generate awareness and strengthen the culture of information security, appropriate security habits, and information protection.

Information Governance

In continuity with the adoption of the information governance model at the CNBV, the following activities were carried out during 2018:

- Implementation of the CADIDO 2005 for its use in the Institutional Archive Management System; likewise, the dissemination of CADIDO 2018, for its implementation in all areas of the Commission.
- Constitution of the Information Governance Committee to approve, give opinions and follow up on the implementation of regulations, policies, procedures, and best practices, as well as to implement the information governance model and maintain its operation.

7.4.3. Strategy 2014-2018

In its strategic plan, the CNBV set out the main pillars and objectives to be achieved in the period from 2014 to 2018, in order to transform the institution into a modern authority, with sufficient tools and capacities to face the new challenges to be presented in the Financial System in Mexico, within a constantly changing international environment, thus contributing to the development of the country and to the achievement of a prosperous Mexico.

The following is a summary, for each strategic pillar and capacity, of the achievements and planning of actions for the fintech sector in 2018, as well as the perspective to consolidate the achievements.

Pillar 1. Strengthening substantive work

Substantive work is strengthened by the shift from a compliance approach to a preventive one. Each of the substantive processes (supervision, regulation, authorization, and sanction) was improved and automated.

Pillar 2. Implementing Financial Reform

The Financial Reform was implemented through the issuance of the corresponding secondary regulation; additionally, the structure of the CNBV was adapted to meet the new functions conferred by the Reform. Subsequently, a model was established to identify the level of adoption, effectiveness, and impact of regulation in the financial system.

Pillar 3. To seek the soundness and development of an inclusive financial system, in line with international best practices

The development of the financial system was pursued in an inclusive manner, incorporating the adoption of the international best practices applicable to the regulation of the financial system.

Regarding the capacities to be developed, both the organizational structure and the human resources were strengthened, information systems were established, and the technological services that support substantive and support work for the CNBV were improved.

In 2018, a session was held to review the strategy, having as a central point the definition of the necessary actions for the implementation of the Fintech Law in terms of regulation, authorizations, supervision, and adjustments to the internal structure.

Such actions included the issuance of secondary regulation within the terms established by the Law, the definition of processes and tools for the supervision of institutions referred to, as well as the updating of the authorization process and the preparation of guidelines for applications.

During 2018, the execution of projects to consolidate compliance with the CNBV's Strategic Plan continued.

7.4.4. Process management

With respect to process improvement, in 2018, the coordination of actions to automate the process of the most recurrent operating authorizations stands out. These corresponded to requests of authorization of methodologies for risk calculation, investments in service and real estate companies, and acquisitions or transfers of shares.

In terms of process documentation, the integral supervision process was updated, and processes related to financial inclusion, economic studies, international affairs, quantitative impact study (QIS), ESC, project management, institutional indicators, among others, were documented.

The above has allowed the CNBV to have documented and easily accessible processes for the areas, and to strengthen institutional internal control.

7.4.5. Internal control

In 2018, the CNBV strengthened its internal control by attending to all the actions defined in the Internal Control Work Program (PTCI), which covered three substantive processes (supervision of SOCAP, AML/CTF, stock exchange authorizations (brokerage houses)) and two administrative processes (training and systems development).

Additionally, as a result of the evaluation of the Institutional Internal Control System, the CNBV obtained, from the SFP, 97.5% compliance with the control elements, which indicates that the Commission has a solid internal control.

Risk management

The CNBV identified fifteen institutional risks, which may hinder the achievement of its objectives. For its attention, it established the Risk Management Work Program (PTAR), which consisted of 27 control actions, focused on addressing the risks, which were fulfilled in a timely manner.

Internal Control Institutional Network (RICI)

Additionally, the CNBV relied on the RICI as a mechanism to improve internal control and risk management, both at the institutional level and specifically in its various areas. Among the actions carried out in the RICI in 2018, the definition of the priority processes to be evaluated and the risks that were incorporated in the PTAR stand out.

RICI has a comprehensive approach to internal control, which allows the following benefits to be obtained:

- Timely identification of internal control weaknesses, as well as risks.
- Orient the work on the risks of immediate attention.
- Improve the monitoring and compliance of the PTCI and PTAR.





ANNEX





Visits

Visits made by the CNBV in 2018

Sector	2018 Original visits program			2018 Adjusted visits program ⁶				Regular visits carried out		Visitas especiales ⁷	Investigation visits ⁸			Total
	By supervisory areas	Only regarding AML/CTF	Revision of special areas ⁵	By supervisory areas	Only regarding AML/CTF	Total scheduled visits	Revision of specialized areas	Total visits	Revision of specialized areas		Supervision	Other visits ⁹	Total investigation visits	
Total visits to entities that are supervised in a comprehensive manner	296	16	37	282	16	298	36	298	36	23	12	37	49	370
Holding companies of financial groups	9	0	0	9	0	9	0	9	0	0	0	0	0	9
IBMs	31	6	23	30	6	36	22	36	22	7	1	0	1	44
IBDs and promotion entities	10	0	1	10	0	10	1	10	1	0	2	0	2	12
SOFOM E.R.	15	0	3	14	0	14	3	14	3	3	0	0	0	17
OAC ¹	7	2	0	7	2	9	0	9	0	0	0	0	0	9
Credit unions	37	1	1	32	1	33	1	33	1	1	0	0	0	34
SOCAPs	66	1	2	65	1	66	2	66	2	1	3	19	22	89
SOFIPOs	23	1	1	19	1	20	1	20	1	1	4	0	4	25
Other entities of the popular savings and loan sector ²	4	0	0	4	0	4	0	4	0	0	0	0	0	4
Brokerage firms	11	2	3	11	2	13	3	13	3	3	0	0	0	16
Investment funds	18	1	2	17	1	18	2	18	2	1	0	0	0	19
Securities rating agencies	4	0	0	4	0	4	0	4	0	0	0	0	0	4
Other participants of the stock and derivatives market ³	20	0	0	19	0	19	0	19	0	6	2	0	2	27
Participants in relevant payment system networks	6	0	0	6	0	6	0	6	0	0	0	0	0	6
SICs	1	0	0	1	0	1	0	1	0	0	0	0	0	1
Investment advisors	5	2	1	5	2	7	1	7	1	0	0	0	0	7
Representative offices	24	0	0	24	0	24	0	24	0	0	0	0	0	24
Other supervised entities ⁴	5	0	0	5	0	5	0	5	0	0	0	18	18	23
Total visits to entities subject exclusively to AML/CTF supervision	0	38	3	0	36	36	3	36	3	0	0	35	35	71
SOFOM E.N.R.	0	16	2	0	16	16	2	16	2	0	0	3	3	19
Currency exchange centers	0	18	0	0	16	16	0	16	0	0	0	32	32	48
Money transfer companies	0	4	1	0	4	4	1	4	1	0	0	0	0	4
Total de visitas	296	54	40	282	52	334	39 ¹⁰	334	39	23	12	72	84	441

Notes:

1 Including currency exchange offices and bonded warehouses.

2 Including federations of popular savings and loan entities, assistant supervisory fund SOCAP, protection fund SOFIPO and the protection of its savers, and SOFINCO.

3 Including makers of the derivatives market, liquidating partners participating in the derivatives market, traders participating in the derivatives market, price suppliers, companies that manage systems to facilitate operations with securities, clearing houses in the derivatives market and self-regulatory bodies of the stock market, stock exchanges and of derivatives contracts, central securities counterparties, institutions for the deposit of securities, and issuers.

4 Including complementary or affiliated financial group services companies, complementary or affiliated banking services companies, complementary or affiliated auxiliary credit 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).

5 The areas of specialized supervision work together with the areas of general supervision to cover specific issues regarding AML/CTF, operational and technological risk, credit information bureaus users, and sales practices.

6 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. In particular, sixteen visits scheduled by the supervisory areas to the following entities were canceled: 1) Centro Cambiario Metales y Divisas Flores, 2) Credired Uno Unión de Crédito, 3) Unión de Crédito de Reynosa, 4) Unión de Crédito Progreso, 5) Unión de Crédito Agroindustrial, 6) Comercializadora Financiera de Automotores, SFP, 7) Itineo Plataforma SFP, 8) Asigna Compensación y Liquidación, Fideicomiso No. F/30,430, 9) Unión de Crédito Costa Esmeralda, 10) Proyecto Coincidir, 11) Redfin, 12) CL Capital Centro Cambiario, 13) Impulsora de Fondos Banamex, Sociedad Operadora de Fondos de Inversión, 14) Bankaool, Institución de Banca Múltiple, 15) Crédito Real, Sofomer, 16) Devida Hipotecaria, SFP. Likewise, joint participation of the DGSROT in the visit to Interam Banco, S.A.; Institución de Banca Múltiple was cancelled, since the Supervisory General Direction rescheduled it and the specialized area could not attend on the new dates.

7 Visits carried out in accordance with the conditions provided for in Article 8 of the Supervision Regulations.

8 Visits carried out in accordance with the terms provided for in Article 9 of the Supervision Regulations.

9 It refers to the visits made by the General Directorate of Investigation Visits.

10 The 39 specialized revisions do not include sixteen regular inspection visits scheduled for AML/CTF matters, since they were considered within the 52 inspection visits that are detailed in the column "Only regarding AML/CTF".



Observations, recommendations, and corrective measures

Total observations, recommendations, and corrective actions issued from Jan-Dic 2018

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	4,403	753	3,643	315	1,971	227	4,718	2,724	3,870
Holding companies of financial groups	40	8	23	0	0	0	40	8	23
IBM	1,134	290	846	134	97	63	1,268	387	909
IBDs and promotion entities	93	68	127	1	3	5	94	71	132
SOFOM E.R.	210	64	214	0	2	1	210	66	215
OAACs	137	21	127	24	18	21	161	39	148
Credit unions	673	169	607	19	32	17	692	201	624
SOCAPs	1,356	22	1,019	32	19	34	1,388	41	1,053
SOFIPO s	484	36	389	19	10	7	503	46	396
Other entities of the popular savings and loan sector	29	13	39	0	0	0	29	13	39
Brokerage firms	110	21	91	37	27	24	147	48	115
Investment funds	14	4	30	14	16	14	28	20	44
Securities rating agencies	20	7	13	0	0	0	20	7	13
Issuers	0	0	0	0	0	0	0	0	0
Securities and derivative exchanges	1	2	11	0	0	0	1	2	11
Central counterparties	0	0	0	0	0	0	0	0	0
Institutions for the deposit of securities	2	1	0	0	0	0	2	1	0
Other participants in the securities and derivatives market	68	11	78	0	0	0	68	11	78
Participants in relevant payment system networks	7	1	7	0	0	0	7	1	7
SICs	6	8	14	0	0	0	6	8	14
Investment advisors	0	0	0	35	1,747	41	35	1,747	41
Other supervised entities	19	7	8	0	0	0	19	7	8
Entities subject only to supervision on AML/CTF	N/A	N/A	N/A	6,696	82,668	120	6,696	82,668	120
SOFOM E.N.R.	N/A	N/A	N/A	5,274	48,512	60	5,274	48,512	60
Currency Exchange offices	N/A	N/A	N/A	991	33,361	27	991	33,361	27
Money transfer companies	N/A	N/A	N/A	431	795	33	431	795	33
Total	4,403	753	3,643	7,011	84,639	347	11,414	85,392	3,990

Notes:

This includes observations, recommendations, and corrective actions derived from prudential supervision actions, as well as those carried out regarding operational and technological risk, behavior of market participants, participants in payment system networks, and revisions to regulatory reports delivered by the supervised entities

N/A= Does not apply



New financial entities, registrations, and recognitions

N.º	Entity	Details
INVESTMENT FUND SERVICES SECTOR		
1.	MEI Fondos, S.A. de C.V.	Authorization to carry out the administration of an electronic mechanism of investment fund shares negotiation, also certifying that it has the necessary infrastructure to carry out its corporate purpose, for which the company was notified of the start of its operations.
SECTOR SOCAP		
1.	Cooperativa Suljaa, S.C. de A.P. de R.L. de C.V.	Authorization with a level of operations II and a prudential level II, it is composed of approximately 20,500 members and operates with a capital stock of \$11.84 million MXN and assets equivalent to 31.83 million Udis, in the State of Guerrero. The main products that it offers are consumer and commercial loans, demand and fixed-term deposit-taking, as well as the insurance distribution service.
2.	Caja Popular Ciudad Hidalgo, S.C. de A.P. de R.L. de C.V.	Authorization with a level of operations I and a prudential level II, it is composed of approximately 5,078 members and operates with a capital stock of \$2.57 million MXN and assets equivalent to 21.71 million Udis, in the State of Michoacan. The main products that it offers are consumer, commercial and housing loans, as well as demand and fixed-term deposit-taking.
3.	Caja Gonzalo Vega, S.C. de A.P. de R.L. de C.V.	Authorization with an operation level II and a prudential level IV, it is composed of 143,385 members and operates with issues equivalent to \$2.62 million MXN, in the States of Queretaro, San Luis Potosi and Aguascalientes. The main products it offers are consumer, commercial, housing and payroll, as well as demand deposit-taking and deposits through debit cards.
4.	Caja Solidaria Nuevo Ideal, S.C. de A.P. de R.L. de C.V.	Authorization with a level of operations III and a prudential level III, it is composed of approximately 17,107 members and operates with issues equivalent to \$590.8 million MXN, in the States of Durango, Coahuila, Guanajuato, Sinaloa, Zacatecas and CDMX. The main products it offers are capital investment, commercial, consumer, and agricultural loans, as well as demand and fixed-term deposit-taking..
REGISTRATION OF CURRENCY EXCHANGE CENTERS AND MONEY TRANSFER COMPANIES		
1.	Currency exchange centers	38 registrations and 47 renewals
2.	Money transfer companies	2 registrations and 5 renewals

Registration of investment advisors			
Legal persons		Natural persons	
1.	Gye Investment Asesores en Inversiones Independientes, S.A. de C.V.	1.	Erick Mauricio López Martínez
2.	León Capital Inversiones Asesor Independiente, S.A. de C.V.	2.	David Palomares Palomino
3.	Kuspit Wealth, S.A.P.I. de C.V.	3.	German Eugenio Arana Rico
4.	Jaros Capital Asesor Independiente, S.A. de C.V.	4.	Alejandro Castor Vera Trejo
5.	G Family Group Asesor en Inversiones Independiente, S. de R.L. de C.V.	5.	Armando Casarín y Soto
6.	Quanta Shares By Interam, S.A. de C.V.	6.	Jorge Israel Casares Zambrano
7.	Asesoría en Inversiones Independiente Its, S.C.	7.	Daniel Antonio Del Río Zepeda
8.	Corbut Administradora De Capital, S.C., Asesores En Inversiones Independientes		
9.	Ducit Capital, S.A. de C.V., Asesor En Inversiones Independiente		
10.	Artem Asset Management Asesores Independientes, S.A.P.I. de C.V.		
11.	Blackbull Advisors, S.A. de C.V., Asesor En Inversiones Independiente		
12.	VIGM, S.A. de C.V., Asesor En Inversiones Independiente		
13.	Savenest de México, S.A. de C.V., Asesor en Inversiones Independiente		
14.	Administrando tu Mejor Versión, Asesor en Inversiones Independiente, S.A. de C.V.		
15.	WM Asesores en Inversiones, S.A. de C.V.		



Corporate restructurings

N.º	Entity	Details
IBM		
1.	Investa Bank	The indirect share purchase of more than 5%, and more than 20% of the capital stock of this credit institution was authorized to several natural persons and legal entities.
2.	Interam Banco	The indirect share purchase of more than 5% of capital stock of this credit institution was authorized to various natural persons.
3.	Bankaool	The share purchase of 100% of the capital stock of this institution was authorized to three natural persons.
4.	Banco Ve por Más	The indirect purchase of 24.9% of the capital stock of this credit institution was authorized to an abroad financial entity.
FINANCIAL GROUPS		
1.	GF Banorte	Favorable opinion was issued for: 1) the merger of Grupo Financiero Banorte, as a surviving company, with Grupo Financiero Interacciones as a merged company that is extinguished, 2) the merger of the financial entities that are part of the financial group, and 3) the amendment to the bylaws of Grupo Financiero Banorte.
2.	GF Interacciones	Se emitió opinión favorable para: 1) la fusión de Grupo Financiero Banorte como sociedad fusionante con Grupo Financiero Interacciones como sociedad fusionada que se extingue, 2) la fusión de las entidades financieras integrantes del grupo financiero, y 3) la modificación a los estatutos sociales de Grupo Financiero Banorte.
3.	GF Ve por Más	A favorable opinion was issued regarding: 1) the incorporation into that financial group of a SOFOM to be called Ve por Mas Vivienda, 2) the amendment to the second clause of the bylaws of that financial group, and 3) the amendment to the Single liability agreement.
4.	Interam Grupo Financiero	Favorable opinion was issued in order that Banco Santander S.A. (Banco Santander España) purchases directly 24.99% of the "O" series shares representing the capital stock of Grupo Financiero Ve por Mas, on the occasion of the merger process of Banco Santander España as a surviving company with Banco Popular Español as merged company.
5.	Afirme Grupo Financiero	Favorable opinion was issued so that: 1) several natural persons directly purchase individually, 10% of the capital stock of the financial group, and 2) the amendment to the eighth clause of the bylaws of that financial group.
6.	Grupo Financiero Banamex	A favorable opinion was issued regarding the incorporation of UBS Bank (now Afirme Investment Banking), the amendment to the bylaws of the financial group and the Single liability agreement.
7.	UBS Grupo Financiero	Favorable opinion was issued regarding the separation of Impulsora de Fondos Banamex, the amendment to the bylaws of the financial group and to the Single liability agreement.
8.	Grupo Financiero Base	Favorable opinion was issued regarding the separation of UBS Bank as a member of the financial group and, as a result of the foregoing, the authorization for the organization of that holding company and constitution and operation of the financial group are revoked.
9.	Grupo Financiero Invex	Favorable opinion was issued regarding the incorporation of Arrendadora Base, as well as to the amendment to the bylaws of the financial group and to the Single liability agreement.
		A favorable opinion was issued regarding: 1) the incorporation to that financial group of a SOFOM to be called Invex Consumo, 2) the amendment to the second clause of the bylaws of that financial group, and 3) the amendment to the Single liability agreement.

N.º	Entity	Details
BROKERAGE FIRMS		
1.	Masari Casa de Bolsa	The direct shareholding was authorized by a legal entity and indirectly by a natural person of more than 30% of the capital stock of that brokerage firm.
2.	Intercam Casa de Bolsa	The indirect shareholding of more than 5% of the capital stock of this credit institution was authorized for various natural persons.
3.	Casa de Bolsa Ve por Más	The indirect shareholding of 24.9% of the capital stock of this credit institution was authorized to an abroad financial entity.
INVESTMENT MANAGEMENT COMPANIES		
1.	Monex Operadora de Fondos	The purchase of two "A" series shares representing the operator's capital stock was authorized to one natural person.
2.	Intercam Fondos	The indirect shareholding of more than 5% of the capital stock of this credit institution, was authorized to various natural persons.
3.	Old Mutual	The indirect shareholding representing its capital stock was authorized, on the occasion of a global restructure of the group to which it belongs.
4.	Impulsora de Fondos	The total shareholding representing its capital stock, was authorized on the occasion of the separation of the financial group to which it belonged.
5.	Operadora de Fondos de Inversión Ve por Más	The indirect shareholding of 24.9% of the capital stock of this credit institution was authorized to an abroad financial entity.
SOFIPO		
1.	Consejo de Asistencia al Microemprendedor	The direct shareholding of the totality minus one of the shares representing its capital stock was authorized to one legal and indirect entity on the part of four natural persons and three legal entities of more than 5% each one of the capital stock of such SOFIPO.



Reforms to corporate bylaws

Commercial banks					
Name	Approval of corporate bylaws and reforms				
	Capital stock	Legal name	Corporate purpose	Administration	Others
Bansi	1				
Scotiabank Inverlat	1				1
Banco Sabadell	3				
Banco Regional		1		1	
Banco Ahorro Famsa	3				1
Banco Monex	1				
Banco PagaTodo	3				
Banco Ve por Más					1
Investa Bank	1	1			
Banco Interacciones	1				
Banco Mercantil del Norte	1				
Banca Afirme	2				1
CIBanco			1		
Interam Banco	1				
Banamex		1			
Shinhan	1				
Banco Inmobiliario Mexicano	3				
Banco Autofin México	2				
Banca Mifel	1				
Bank of Tokyo-Mitsubishi		1			
HSBC México			1		
Santander	1	1			
Total (38 reforms)	26	5	2	1	4

Brokerage firms					
Name	Approval of corporate bylaws and reforms				
	Capital stock	Legal name	Corporate address	Administration	Others
Bursamétrica Casa de Bolsa	3			1	
Value Casa de Bolsa	1				1
Casa de Bolsa Banorte	1	1			
Casa de Bolsa BBVA Bancomer	1			1	
Valores Mexicanos Casa de Bolsa					1
Interacciones Casa de Bolsa	1				
Citibanamex Casa de Bolsa		1			
Goldman Sachs				1	
Kuspit Casa de Bolsa	1				
UBS Casa de Bolsa		1			
Masari Casa de Bolsa	1				
Total (17 reforms)	9	3		3	2

SOFIPO					
Name	Approval of corporate bylaws and reforms				
	Capital stock	Legal name	Corporate Address	Administration	Others
Unagra	1				
Financiera Mexicana para el Desarrollo Rural	1		1		
Nuestra Caja (NC Opciones de Negocios)			1		
Proyecto Coincidir	2				
Administradora de Caja Bienestar			1		
Solución ASEA			1		
Financiera T Agiliza			1		
Financiera del Sector Social			1		
Te Creemos			1		
Financiera Sustentable	1				
Grupo Regional de Negocios			1		
Crediclub	1		1	1	
Fincomún Servicios Financieros Comunitarios	1				
Sociedad de Alternativas Económicas	1				
Operaciones de Tu Lado	1				
Financiera Monte de Piedad	1				
Financiera Súmate	1				
Financiera Sofitab	1				
Total (22 reforms)	12		9	1	

SOCAP					
Name	Approval of corporate bylaws and reforms				
	Capital stock	Legal name	Corporate address	Administration	Others
Caja Popular Arboledas			1		
Caja de Ahorro de los Telefonistas			1		
Caja Morelia Valladolid			1		
Caja de la Sierra Gorda			1		
Fesolidaridad			1		
Cooperativa Suljaa			1		
Caja Popular Chavinda			1		
Caja Popular Ciudad Hidalgo			1		
Caja Solidaria Tecolotlán			1		
Esperanza Indígena Zapoteca			1		
Caja San Isidro			1		
Caja Popular Manzanillo			1		
Caja Gonzalo Vega			1		
Caja Popular Mexicana				1	
Caja Solidaria Nuevo Ideal			1		
Total (15 reforms)			14	1	

Credit unions					
Entity	Approval of corporate bylaws and reforms				
	Capital stock	Corporate Address	Regime	Corporate purpose	Legal name
Unión de Crédito Ganadero de Tabasco	1				
Unión de Crédito Esphera	1				
Unión de Crédito Agropecuaria, Industrial y Comercial de Huajuapán	1				
Unión de Crédito para la Contaduría Pública	1				
Unión de Crédito Santa Fe	1				
Unión de Crédito de la Industria de la Construcción de San Luis Potosí	1				
Unión de Crédito del Comercio e Industria y Servicios Turísticos de Occidente	1				
Unión de Crédito Regional del Norte de Veracruz	1				
Unión de Crédito Monarca	1				
Unión de Crédito Chihuahuense	1				
Unión de Crédito Avícola de Jalisco	1				
Total (11 reforms)	11				

Federations					
Entity	Approval of corporate bylaws and reforms				
	Capital stock	Corporate address	Regime	Corporate purpose	Legal name
Federación de Instituciones y Organismos Financieros Rurales			1		
Federación Atlántico Pacífico del Sector de Ahorro y Crédito Popular			1		
Total (2 reformas)			2		

INVESTMENT FUND OPERATORS, SERVICE COMPANIES AND REAL ESTATE BROKERS, AND COMPANIES THAT MANAGE SYSTEMS TO FACILITATE OPERATIONS WITH SECURITIES						
Sector	Entity	Approval of corporate bylaws and reforms				
		Capital stock	Regime	Corporate purpose	Legal name	Administration
Investment fund operators	Operadora de Fondos Banorte	2			1	
	Impulsora de Fondos	1			1	
	Operadora COVAF	1		1		
Service companies	Adquira México			1		
	Isban México			1	1	
	Cecoban					1
Real estate brokers	Inmobiliaria Guatusi		1			
	Inmobiliaria Bisa		1			
	HSBC Inmobiliaria (México)		1			
	Inmobiliaria Grufin		1			
Companies that manage systems to facilitate operations with securities	Enlace Int	1				
Total (16 reformas)		5	4	3	3	1

NEW COMMISSION AGENTS AND SERVICE PROVISION AGREEMENTS			
Sector	Entity	New commission agents	Provision of services
IBM	Banco Santander	2	1
	Banorte	1	
	Consubanco	1	
	Fundación Dondé	1	1
	S3		2
	BBVA Bancomer		11
	Mizuho Bank		1
	Banco Compartamos		1
	Banco J.P. Morgan		1
	Banca A firme		1
	Sabadell		1
	Bank of China		1
	HSBC		7
	Volkswagen		1
	Banco Keb Hana México		1
	Banco Actinver		1
	Bank of Tokyo		1
	Banco Invex		1
	Banamex		6
	Banco Forjadores		1
IBD	Bancomext		1
SOFIPO	Akala	2	2
	Opciones Empresariales del Noreste	1	
	UNAGRA		1
	Financiera Monte de Piedad		1
	Sociedad de Alternativas Económicas		1
	Financiera Súmate		1
	Administradora de Caja Bienestar		1
SOCAP	Caja Solidaria Campesinos Unidos de Culiacán		1
SOFOM E.R.	Sofom Inbursa	2	
	Santander Consumo	4	2
	Tarjetas Banamex		1
Brokerage firms	Citibanamex CB		1
	Actinver Casa de Bolsa		1
	Casa de Bolsa BBVA Bancomer		1
Representative offices and foreign bank agencies	Barclays		1
	JP Morgan		2
Total		14	58

SELF-CORRECTING PROGRAMS					
Sector	Entity	Authorized	Unfounded	Not presented	Modified
IBM	Banco Santander	1			
	Banco Ahorro Famsa	1			1
	MUFG	1			
	ICBC	1	1	1	
Investment funds	Principal Fondos	1	1		
	Old Mutual			1	
Stock market	UBS Casa de Bolsa	1			
	Fitch México		1		
Service companies	Adquira México	1			
Credit unions	Unión de Crédito General		1		
Savings and popular loan	Apoyo Múltiple		1		
Total		7	5	2	1

CAPITAL INVESTMENTS			
Investor entity		Receiving entity	
Sector	Name	Name	Activity
IBM	Banco Santander	Isban México	Servicios
	Interam Banco	Interam Banco Internacional Inc.	Entidad Financiera del Exterior
	HSBC México	Global Payment	Servicios
Stock market	Vector Casa de Bolsa	VectorGlobal WMG Canada Inc.	Entidad Financiera del Exterior
	Bolsa Mexicana de Valores	Latam Exchanges Data México y LATAM Exchanges Data, Inc.	Servicios

INCREASE IN CAPITAL INVESTMENTS			
Investor entity		Receiving entity	
Sector	Name	Name	Activity
IBM	Banco Interacciones	Estrategia en Finanzas & Infraestructura	Servicios
		Inmobiliaria Interdiseño	Inmobiliaria
	Volkswagen Bank	Volkswagen Servicios	Servicios
	Banco Sabadell	SabCapital	SOFOM
	Banco Azteca	Banco Azteca el Salvador	Entidad Financiera del Exterior
	Banorte	Banorte Financial Services, Inc.	Entidad Financiera del Exterior
IBD	Nafin	Plaza Insurgentes	Inmobiliaria
Stock market	Interacciones Casa de Bolsa	Inmobiliaria Interin	Inmobiliaria

DECREASE IN CAPITAL INVESTMENT			
Investor entity		Receiving entity	
Sector	Name	Name	Activity
IBM	Banco Afirme	Cecoban	Servicios
	BBVA Bancomer	Financiera Ayudamos	SOFOM
	HSBC México	Inmobiliaria Guatusi	Inmobiliaria
		Inmobiliaria Bisa	Inmobiliaria
		HSBC Inmobiliaria (México)	Inmobiliaria
		Inmobiliaria Grufin	Inmobiliaria
	Bancoppel	Cecoban	Servicios

CAPITAL DIVESTITURES			
Investor entity		Receiving entity	
Sector	Name	Name	Activity
IBM	Banco Multiva	Savella Empresarial	Servicios
	BBVA Bancomer	BBVA D&A México, S.A. de C.V.*	Servicios
	Banorte	Banorte USA	Entidad financiera del exterior
Bursátil	Interacciones Casa de bolsa	Interacciones Sociedad Operadora de Fondos de Inversión, S.A. de C.V.	Sociedad operadora de fondos de inversión
		Interfinancial Services Ltd.	Entidad financiera del exterior
		Intertrading Holdings, Inc. e Intertrading USA Securities, Inc.	Entidad financiera del exterior

* Derived from the divestiture, authorization to invest in the complementary services company was rendered ineffective.

AUTHORIZATIONS RENDERED INEFFECTIVE FOR THE ORGANIZATION AND OPERATION			
Financial entity		Official letter	
Sector	Name	Number	Date
Companies that manage systems to facilitate operations with securities	Tullett Prebon México, S.A. de C.V.	312-1/66617/2018	November 16, 2018

CHANGE OF LEGAL NAME AND SUBSTITUTION OF REPRESENTATIVE TO REPRESENTATIVE OFFICES	
Change of legal name	Bank of Tokyo Mitsubishi
Substitution of representative	Societe Generale, Paris Francia, Representación en México
	Mizuho Bank, Ltd.
	Japan Bank for International Coporation

N.º	Entity	Opinion description
OPINIONS TO THE SHCP OF STOCK EXCHANGES, IBMS AND FINANCIAL GROUPS		
1.	Bolsa Institucional de Valores	Opinion was given regarding the confirmation request related to the start of operations as a stock exchange. Opinion was given regarding the modification of indirect shareholding of this stock exchange and the amendment of its bylaws.
2.	Intercam Grupo Financiero	Opinion was given to indirectly invest in the capital stock of a financial institution abroad. Opinion was given so that several natural persons directly purchase shares representing the capital stock of this financial group and the amendment of its bylaws, due to the increase in its capital stock.
3.	Grupo Financiero Ve por Más	Opinion was given for the incorporation of a multi-purpose financial company, the amendment of the bylaws of this financial group and to the Single liability agreement. Opinion was given so Banco Santander España directly purchase 24.99% of the "O" Series shares of the capital stock of Grupo Financiero Ve por Mas.
4.	S.D. Indeval	Opinion was given for the amendment of its bylaws.
5.	Contraparte Central de Valores de México	Opinion was given for the amendment of its bylaws.
6.	Grupo Financiero Interacciones	Opinion for the amendment to the bylaws of this financial group, related to its integration and to the capital stock.
7.	Grupo Financiero Banorte and Grupo Financiero Interacciones	Opinion was given to carry out the merger of these financial groups, and the corresponding merger of their financial entities that are members of those financial groups.
8.	Bolsa Mexicana de Valores	Opinion was given for the amendment of its bylaws.
9.	Afirme Grupo Financiero	Opinion was given to authorize the incorporation of UBS Bank Mexico to said financial group, as well as the amendments to its bylaws and Single liability agreement.
10.	Grupo Financiero Inbursa	Opinion was given to this financial group to increase the investment amount in a service company.
11.	Grupo Financiero HSBC	Opinion was given to this financial group to purchase the totality of shares of HSBC Inmobiliaria.
12.	Grupo Financiero Mifel	Opinion was given to this financial group reform its bylaws and Single liability agreement.
14.	Banco Santander (México)	Opinion was given for the amendment to the Manual of policies and operating procedures of the own position liquidator partner, and the third party position liquidator partner. Opinion was given on the authorization to invest 30% of its minimum assets, its surplus and surpluses of the minimum initial contributions in government securities, for a period longer than that indicated in the CUB. Opinion was given to the Liquidity plan.
15.	Scotiabank Inverlat	Opinion was given on the authorization so that the securities or repurchases on them, are only governmental and have a maturity term up to 20 years, as well as for the investments of the own position and third party position liquidator partners include their minimum assets, the surpluses of their minimum assets, and the surpluses of minimum initial contributions.
16.	Banco J.P. Morgan	Opinion was given so that, derived from the trading agreement with BMV, the latter purchases a share of MexDer and a share certificate of Asigna, Compensacion y Liquidacion.
17.	BBVA Bancomer	Opinion was given so that the surpluses of the minimum initial contributions are invested in repurchases on governmental securities with a maturity term up to 20 years.
OPINIONS TO THE SHCP OF BONDED WAREHOUSES		
1.	Argo Almacenadora	Opinion was given, so that the warehouse disinvests, in a total manner, its participation in the capital stock of Servicios Administrativos Argo, S.A. de C.V.
2.	Almacenadora Sur	Opinion was given in relation to the authorization for the purchase of representative shares of its capital stock.
3.	Almacenadora Mercader	Opinion was given in relation to the authorization for the purchase of representative shares of its capital stock.
4.	Logyx Almacenadora	Opinion was given in relation to its merger, as a merged company with Almacenaje Integral Logístico as a surviving company.

N.º	Entity	Opinion description
OPINIONS TO THE SHCP ON CURRENCY EXCHANGE OFFICES		
1.	Grupo Bursátil Mexicano	Opinion was given to the amendment of the Manual of policies and operating procedures of the liquidator partner and third-party position operator GBM.
2.	B y B Casa de Cambio	Opinion was given in relation to the authorization for the acquisition of representative shares of its capital stock.
OPINIONS TO THE SCHP ON DERIVATIVES MARKET		
1.	Asigna, Compensación y Liquidación	Opinion was given on the amendment to the commission schema that it charges for its services of clearing and settlement of derivatives contracts.
		Opinion was given on the hiring of an external office to carry out an external accounting audit.
		Opinion was given on the amendment of its Manual of policies and procedures.
		Opinion was given on the amendment to the commissions charged for its services of clearing and settlement of the contract of future on Development Bonds of the Federal Government.
		Opinion was given on the amendment to the commissions charged for its clearing and settlement services for contracts of future on yellow corn, and of option on the contract of future on yellow corn.
		Opinion was given on the modification of commissions charged for its clearing and settlement services.
		Opinion was given on the approval so that the securities on which to celebrate repurchases, have a maturity up to 20 years.
		Opinion was given on the amendment to the commissions charged for its services of early settlement and counterparty substitution of the exchange contract positions of the clients of the derivatives market.
		Opinion was given on the amendment of the Internal Regulation and to the Manual of policies and procedures, regarding the following: recognition of the service provider figure for the affirmation of derivatives contracts and modifications to the continuity plan in order to give it consistency to that established in the applicable provisions.
		Opinion was given on the amendment to the Internal Regulation and to the Manual of policies and procedures, in order to adopt international recommendations and standards according to the principles applicable to the financial market infrastructure.
		Opinion was given on the amendment of the Internal Regulation and the Manual of policies and procedures, in terms of netting agreement, as well as repealing of its orderings regarding the early settlement and counterparty substitution of the positions of exchange contract of the derivative market's clients.
		Opinion was given on the amendment of the Internal Regulation and to the Manual of policies and procedures regarding the following: extraordinary settlement and clarifications in matter of risks management.
		Opinion was given on the amendment to the Internal Regulation and to the Manual of policies and procedures regarding the following: early settlement and counterparty substitution of the positions of exchange contract of the derivatives market's clients.
		Opinion was given on the amendment of the Internal Regulation and to the Manual of policies and procedures, regarding the delinquency management in respect of early and extraordinary settlement.
2.	MexDer, Mercado Mexicano de Derivados	Opinion was given on the amendment to the Internal Regulation and to the Manual of policies and procedures, regarding the following: commissions charged for its services of early settlement and counterparty substitutions of the positions of the exchange contract of the derivatives market's clients.
		Opinion was given on the hiring of an external office to carry out an external accounting audit.
		Opinion was given on the amendment of its bylaws.
		Opinion was given on the modification of the Internal Regulation and to the Manual of policies and procedures, regarding the following: early settlement of swap positions, the telephone assistance service, access to the electronic trading system and the accuracy of the evidence, that requires to be maintained, of the instructions provided by the market markers.
		Opinion was given on the amendment to the Internal Regulation and to the Manual of policies and procedures, regarding the following: block and depth operations, early settlement and substitution, access to the electronic trading system and monitoring of the option contracts.

N.º	Entity	Opinion description
OPINIONS TO BANXICO ON THE DERIVATIVES MARKET		
1.	MexDer, Mercado Mexicano de Derivados	<p>Opinion was given regarding authorizations to modify:</p> <p>Contracting general conditions of the contract of future on Development Bonds of the Federal Government.</p> <p>Contracting general conditions of the contract of exchange on the fixed and variable nominal interest rates.</p> <p>Contracting general conditions of the contract of exchange on the fixed and variable nominal interest rates.</p> <p>Specific terms of the contracts of future on specific Bonds listed in that derivatives stock market.</p> <p>Specific terms adhering to the contracting general conditions of the contracts of future on Development Bonds of the Federal Government.</p> <p>Contracting general conditions of the exchange on fixed and variable nominal interest rates contract, discounting with the interbank equilibrium interest rate curve.</p> <p>Contracting general conditions of the exchange on the fixed and variable nominal interest rates contract.</p> <p>Contracting general conditions of the exchange on the fixed and variable nominal interest rates contract..</p>
2.	Asigna, Compensación y Liquidación	<p>Opinion was given to the authorizations to modify:</p> <p>Methodology for the calculation of the requirement of minimum initial contributions.</p> <p>The liquidity plan.</p> <p>Conditions for the clearing and settlement of operations of exchange contracts on the fixed and variable nominal interest rates, discounting with the interbank equilibrium interest rate curve.</p> <p>Securities on which it makes repurchases for the investment up to 10% and the surplus of its minimum assets, have a maturity term up to 20 years.</p>
AUTHORIZATIONS TO CREDIT UNIONS		
1.	Unión de Crédito del Comercio, Servicios y Turismo de Nayarit	It was authorized to stop operations as a credit union.
2.	Ficein Unión de Crédito	Acquisition of securities representing the capital stock of a commercial company was authorized.
3.	Unión de Crédito Agroindustrial del Valle de Culiacán, S.A. de C.V.	It was authorized to stop operations as a credit union.
4.	Unión de Crédito Avícola de Jalisco	It was authorized for issuance of preferred shares.
AUTHORIZATIONS TO SOFIPO		
1.	Financiera Sustentable	It was authorized for the acquisition and transfer of shares representing its capital stock.
2.	Operaciones de Tu Lado	It was authorized for the acquisition and transfer of shares representing its capital stock.
3.	Crediclub	<p>It was authorized for performing an additional operation.</p> <p>It was authorized for the acquisition of shares representing its capital stock on the part of a natural person.</p>
4.	Consejo de Asistencia al Microempreendedor	<p>It was authorized to disclose confidential information.</p> <p>It was authorized for the acquisition and transfer of shares representing its capital stock.</p>
5.	Financiera Sofitab	<p>It was authorized to disclose confidential information to a potential buyer.</p> <p>It was authorized for the acquisition and transfer of shares representing its capital stock.</p>
6.	La Perseverancia del Valle de Tehuacán	It was authorized to disclose confidential information to a potential buyer.
7.	Financiera Mexicana para el Desarrollo Rural	<p>It was authorized to carry out specific passive operations with a group of people for amounts higher than the limits established in the General provisions on prudential, accounting and for the requirement of information applicable to the FND.</p> <p>It was authorized to carry out specific passive operations with a second group of people for amounts higher than the limits established in the General provisions on prudential, accounting and for the requirement of information applicable to the FND.</p>
8.	Te Creemos	Its change of operations level was approved.

N.º	Entity	Details
AUTHORIZATIONS SOCAP		
1.	Esperanza Indígena Zapoteca	It was authorized for the acceptance of immediate collection documents in firm.
2.	Caja Gonzalo Vega	It was authorized to grant its members credits for terms longer than 60 months.
3.	Caja Popular Río Presidio	It was authorized without effects to continue performing saving and loan operations due to its merger as a merged company with Caja Popular Oblatos as surviving company.
4.	Caja Santa Rosa	It was authorized without effects to continue performing savings and loan operations due to its merger as a merged company with Caja Cerro de la Silla as a surviving company.
5.	Caja Buenos Aires	It was authorized to carry out an additional operation.
OTHER AUTHORIZATIONS TO BONDED WAREHOUSES		
1.	Almacenes Generales de Depósito del Yaqui	It was authorized to exceed the limit of issuance of negotiable certificates of deposit in authorized premises.
2.	Almacenadora Banorte	It was authorized to lease one of the premises owned by the warehouse.
3.	Almacenadora Sur	It was authorized to affect the contingency reserve that it has established.
4.	Almacenadora Mercader	It was authorized to modify its risks assessment manual.
5.	Almacenadora Banorte	It was authorized to exceed the limit of issuance of negotiable certificates of deposit in authorized premises.
AUTHORIZATIONS OF THE SAVERS PROTECTION SYSTEM		
1.	Fondo de Protección de Sociedades Financieras Populares y de Protección de Ahorradores	Opinion was given for the appointment of a member of its Technical Committee. Approval opinion was given to the manner of effecting the calculation of the periodic charge corresponding to the deposit insurance determined by its Technical Committee.
2.	Fondo de Supervisión Auxiliar de Sociedades Cooperativas de Ahorro y Préstamo y de Protección de Ahorradores	Approval opinion was given to modify the manual of the Auxiliary Supervision Committee of this Fund.
AUTHORIZATIONS TO FEDERATIONS		
1.	Federación Fortaleza Social	Exception opinion was given to the obligation of having a legal auditor.
2.	Federación Atlántico Pacífico del Sector de Ahorro y Crédito Popular	Approval opinion was given for the modification of its internal regulation.
AUTHORIZATIONS TO STOCK EXCHANGES		
1.	BIVA	The internal regulation was authorized. Tariffs were authorized. Electronic forms were authorized.
2.	BMV	Internal regulation in terms of markets and disciplinary monitoring was authorized. Modifications to the tariffs of the funds listing were authorized.

N.º	Entity	Details
AUTHORIZATIONS AND REFUSALS TO CONTRAPARTE CENTRAL DE VALORES AND INDEVAL		
1.	Contraparte Central de Valores	Authorization to the internal regulation in order to implement new provisions applicable to the reserve fund. Refusal of authorization to the tariffs.
2.	Indeval	Authorization to tariffs. Authorization to tariffs. Authorization of the global custody contract. Refusal of authorization of the tariffs.
AUTHORIZATIONS TO IMPLEMENT A SETTLEMENT PROCEDURE DIFFERENT TO THAT ESTABLISHED IN THE CUIFE		
1.	Sofom Inbursa	The settlement procedure was authorized different with TELMEX and TELNOR. The settlement procedure was authorized different with Tiendas Soriana (Hipermercado, Soriana Súper, Mercado Soriana, Soriana Express, Citiclub, Mega, Comercial Mexicana, Al precio and Bodega).
2.	Santander Consumo	The settlement procedure was authorized different with DSW. The settlement procedure was authorized different with Comercializadora Rápido.
REQUESTS TO USE RESERVED TERMS		
1.	12 requests to use reserved terms were denied, according to the LFI.	
2.	The use of a reserved term in the appointment of an independent investment advisor was authorized.	



New issuances in the stock market

SHARES		
Public offering	Sociedad	Approximate amount of public offerings (million MXN)
SPAC public offering	Promecap Acquisition Company, S.A.B. de C.V.	\$5,577.93
Total		\$5,577.93

Companies that carried out public takeover bids	
Company	Description
Magenta Infraestructura, S.L.	There was a public takeover bid on the shares of OHL México, S.A.B. de C.V.
GGI INV SPV, S.A.P.I. de C.V.	There was a public takeover bid on the shares of RASSINI, S.A.B. de C.V.

Trust certificates	
Company	Description
CKD	The initial public offering of fifteen CKD issuances for an approximate total of \$8,080 billion MXN; 52 capital calls of previously placed certificates for an approximate total amount of \$23,291 billion MXN; four subsequent public offerings for an approximate total of \$3,547 billion MXN, three capital calls of additional series for \$2,626 billion MXN and three subsequent for an approximate total amount of \$133 million MXN.

FIBRAS REAL ESTATE CERTIFICATES			
Public offering	Issuing trustee	Administrator	Approximate amount of public offerings (million MXN)
Initial public offering	Banco Actinver, S.A., I.B.M., Grupo Financiero Actinver	Operadora Upsite, S.A.P.I. de C.V.	\$554
	Banco Invex, S.A., I.B.M., Invex Grupo Financiero	Fibra Educa Management, S.C.	\$9,430
	CI Banco, S.A., I.B.M.	Self Storage Management, S. de R.L. de C.V.	\$271
Total			\$10,255

ISSUANCES OF OPTIONAL SECURITIES		
Institution	Number of issuances	Total amount (million MXN)
BBVA Bancomer, S.A., I.B.M., Grupo Financiero BBVA Bancomer	170	\$6,656
Citibanamex Casa de Bolsa, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Citibanamex	106	\$12,935
Scotia Inverlat Casa de Bolsa S.A. de C.V., Grupo Financiero Scotiabank Inverlat	11	\$450
Banco Santander (México), S.A., I.B.M., Grupo Financiero Santander	5	\$136
Actinver Casa de Bolsa, S.A. de C.V., Grupo Financiero Actinver	2	\$31
Promecap Acquisition Company, S.A.B. de C.V.*	1	\$0
Total	295	\$20,209

* It was placed with a premium value of \$0.00

STRUCTURED SECURITIES: STRUCTURED BANK BONDS		
Institution	Number of issuances	Total amount (million MXN)
HSBC México, S.A., I.B.M., Grupo Financiero HSBC	14	\$705
Scotiabank Inverlat, S.A., I.B.M., Grupo Financiero Scotiabank Inverlat	9	\$3,767
BBVA Bancomer, S.A., I.B.M., Grupo Financiero BBVA Bancomer	3	\$3,702
Banco Mercantil del Norte, S.A., I.B.M., Grupo Financiero Banorte	1	\$250
Total	27	\$8,424

STRUCTURED SECURITIES: STRUCTURED SECURITIES CERTIFICATES		
Institución	Number of issuances	Total amount (million MXN)
Banco Invex, S.A., I.B.M., Invex Grupo Financiero (fiduciario) y Banco Mercantil del Norte, S.A. de C.V. (fideicomitente)	3	\$465
Total	3	\$465

Trust certificates for investment projects (Cerpi)	
Company	Description
Cerpi	The initial public offering of fourteen Cerpi issuances was performed for an approximate total of \$12,739 billion MXN; 1 capital call of previously placed certificates for an approximate total amount of \$256 million MXN.

TRUST CERTIFICATES OF INFRASTRUCTURE AND ENERGY INVESTMENT (FIBRA E)			
Public offering	Issuing trustee	Administrator	Approximate amount of public offerings (million MXN)
Initial public offering	CI Banco, S.A., I.B.M.	CFECapital, S. de R.L. de C.V.	\$16,388
	CI Banco, S.A., I.B.M.	Grupo Aeroportuario de la Ciudad de México, S.A. de C.V.	\$30,000
	Banco Actinver, S.A., I.B.M., Grupo Financiero Actinver	Administrador Fibraestructura, S.A.P.I. de C.V.	\$6,136
Total			\$52,524

DEBT MARKET: BANKING STOCK CERTIFICATES		
IBM	Number of issuances	Total amount (million MXN)
Banco Base, S.A., I.B.M. Grupo Financiero Base	1	\$500
BBVA Bancomer, S.A., I.B.M., Grupo Financiero BBVA Bancomer*	2	\$7,000
Banco Compartamos, S.A., I.B.M.	1	\$2,500
Banco Mercantil del Norte, S.A., I.B.M., Grupo Financiero Banorte	2	\$4,533
Banco Nacional de México, S.A., Integrante del Grupo Financiero Citibanamex	1	\$3,000
Banco Inbursa, S.A., I.B.M., Grupo Financiero Inbursa	1	\$5,000
Banco Santander (México), S.A., I.B.M., Grupo Financiero Santander	2	\$10,576
Consubanco, S.A., I.B.M.	1	\$1,000
HSBC México, S.A., I.B.M., Grupo Financiero HSBC	2	\$9,957
Scotiabank Inverlat, S.A., I.B.M., Grupo Financiero Scotiabank Inverlat	1	\$6,325
Volkswagen Bank, S.A., I.B.M.	1	\$1,000
Total	15	\$51,391

*Includes Green Banking Bond for \$3,500 billion MXN

ME DEBT MARKET: BANKING STOCK CERTIFICATES		
Development Banks	Number of issuances	Total amount (million MXN)
Nacional Financiera, S.N.C., I.B.D.	1	\$7,000
Banco Nacional de Comercio Exterior, S.N.C., I.B.D.	2	\$8,000
Sociedad Hipotecaria Federal, S.N.C., I.B.D.	2	\$7,000
Banco Nacional de Obras y Servicios Públicos, S.N.C., I.B.D.	2	\$10,000
Total	7	\$32,000

DEBT MARKET: TRUST CERTIFICATES BACKED BY ASSETS				
Trustee	Trustor	Type of asset	Issuances	Amount (million MXN)
Banco Actinver, S.A., I.B.M., Grupo Financiero Actinver	Fovissste	Derechos de cobro de créditos hipotecarios	1	\$12,000
Banco Invex, S.A., I.B.M., Invex Grupo Financiero	Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	Aportaciones FAM (fondo de aportaciones múltiples)	1*	\$5,919
Total			2	\$17,919

*Additional placement to that initially made in 2015.

DEBT MARKET: OPERATIONS OF TRUST CERTIFICATES BACKED BY ASSETS			
Trustee	Issuances	Type of asset	
Banco Invex, S.A., I.B.M., Invex Grupo Financiero	19	Collection rights*	Accounts receivable**
Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex			
CI Banco, S.A., I.B.M.			
Total		\$10,729	\$27,143

*These include loan and lease contracts for movable and real property assets. Highlights the placement of collection rights derived from real estate portfolios originated by Bienes Programados, S.A. de C.V. (HIR CASA), for an amount of \$700 million MXN.

**They include income derived from highway sections of the Libramiento Elevado de Puebla, México - Puebla Highway, as well as the Monterrey-Cadereyta Highway.

ISSUANCE OF DEBT		
Issuing trustee	Fideicomitente	Total
Evercore Casa de Bolsa, S.A. de C.V.	Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México *	\$1,100

*Trustee of simple credit rights held with the Federal Government (in which the CDMX Government acts as the final recipient of the credit and sole beneficiary of the resources).

DEBT MARKET: TRUST CERTIFICATES WITHOUT CONSTITUTING SECURITIES BACKED BY ASSETS, PLACED BY BANXICO				
Trustee	Trustor	Type of asset	Issuances	Amount (million MXN)
Fondo Especial para Financiamientos Agropecuarios	SHCP	Oferta pública	6	\$11,125
		Sin mediación de oferta pública (de corto o largo plazo)	14	\$22,062
Total			20	\$33,187

DEBT MARKET: TRUST CERTIFICATES WITHOUT CONSTITUTING SECURITIES BACKED BY ASSETS, PLACED BY TRUSTS		
Trustor	Issuances	Total amount (million MXN)
Fibra Uno Administración, S.C.	2	\$11,200
Actinver Casa de Bolsa, S.A. de C.V., Grupo Financiero Actinver (FIBRAHD)	1	\$700
Asesor de Activos Prisma, S.A.P.I. de C.V. (FINN)	1	\$2,000
Total	4	\$13,900

Sanctions

Sector	Resolutions of sanction				Sanctioned conducts	Sanction amount (MXN)	Amount of paid sanctions
	Warning (A)	Fines (B)	Disqualifications (C)	Total			
IBM	94	165	0	259	483	165,068,982	93,679,270
Natural persons	14	32	7	53	71	58,251,010	3,386,752
SOFIPO	51	68	0	119	189	22,690,294	5,080,721
Issuers	14	7	0	21	25	18,019,891	9,804,340
SOCAP	116	84	0	200	282	14,805,685	7,378,692
Brokerage firms	30	17	0	47	78	13,027,659	20,990,495
IBDs and promoting institutions	16	6	0	22	37	9,156,353	2,055,537
SOFOM E.N.R.	117	238	0	355	365	8,968,936	1,858,905
External auditors	0	2	0	2	2	8,197,341	0
SOFOM E.R.	14	43	0	57	103	7,693,582	3,221,915
Credit unions	74	41	0	115	130	6,605,509	4,322,112
Currency exchange centers	67	227	0	294	301	4,444,638	1,737,520
Investment funds ¹	29	15	0	44	47	3,499,430	970,716
OAAC	20	25	0	45	66	3,047,564	1,465,256
Other participants of the securities and derivatives markets	0	2	0	2	2	1,655,080	0
Securities rating agencies	0	1	0	1	1	730,400	584,320
Money transfer company	1	16	0	17	18	520,940	204,996
Holding companies of financial groups	0	6	0	6	9	342,020	66,297
Other entities of the popular savings and loan sector	0	4	0	4	4	253,460	310,145
Other supervised entities	1	1	0	2	2	140,200	41,870
SIC	0	2	0	2	3	98,631	4,987
Legal entities	0	1	0	1	1	57,460	0
Persons in irregular activities	0	0	0	0	34	0	0
Investment advisors	1	0	0	1	1	0	0
Participants in relevant payment system networks	4	0	0	4	4	0	0
General total	663	1,003	7	1,673	2,258	347,275,064	157,164,846

1/ Includes: Distributing companies (comprehensive, referencing companies, of shares of investment companies); investment funds or companies (of capital, of limited purpose, of variable income, and on debt instruments); companies that operate funds or investment companies (of capital and on debt and equity instruments).



Revocations

FINANCIAL ENTITIES REVOKED BY THE CNBV IN 2018 FOR VIOLATIONS TO THE LAW			
Financial entity		Official letter	
Sector	Name	Number	Date
SOCAPs	Caja Solidaria Ayotl, S.C. de A.P. de R.L. de C.V.	P091/2018	March 20, 2018
	Caja Solidaria Huejuquilla S.C. de A.P. de R.L. de C.V.	P092/2018	March 20, 2018
Credit unions	Unión de Crédito Agroindustrial, S.A. de C.V.	P093/2018	March 20, 2018
	Unión de Crédito Vidacredit, S.A. de C.V.	P140/2018	May 21, 2018
SOFIPOs	Devida Hipotecaria, S.A. de C.V., S.F.P.	P189/2018	July 19, 2018
	Sociedad Financiera de Crédito Popular Nacional S.A. de C.V., S.F.P.	P294/2018	October 19, 2018
	Batoamigo S.A. de C.V., S.F.P.	P295/2018	October 19, 2018
	Proyecto Coincidir, S.A. de C.V., S.F.P.	P293/2018	November 12, 2018
	La Perseverancia del Valle de Tehuacán, S.A. de C.V., S.F.P.	P303/2018	October 30, 2018

FINANCIAL ENTITIES REVOKED BY THE CNBV IN 2018 AT THE REQUEST OF THE PARTY			
Financial entity		Official letter	
Sector	Name	Number	Date
Distributing companies for investment funds shares	Fondika-Zur, S.A. de C.V.	312-2/66413/2018	July 18, 2018
Securities rating agencies	DBRS Ratings México, Institución Calificadora de Valores, S.A. de C.V.	312-3/66602/2018	November 16, 2018
Representative offices	Haitong Bank S.A.	310-76774/2018	May 21, 2018
	Banco do Brasil, S.A.	310-76775/2018	May 21, 2018
	JP Morgan Chase Bank, NA	312-2-66498/2018	September 11, 2018
	Lek Securities Corporation	312-2/66601/2018	November 14, 2018



List of international committees and working groups in which officials of the CNBV participated in 2018

COMMITTEE / GROUP
BASEL COMMITTEE ON BANKING SUPERVISION (BCBS)
Group of Governors and Heads of Supervision (GHOS)
International Conference of Banking Supervisors (ICBS)
<ul style="list-style-type: none"> • BCBS <ul style="list-style-type: none"> • Supervision and Implementation Group (SIG) • Working group on Stress Tests (WGST) • Task Force on Financial Technology (TFFT) • Regulatory Consistency Assessment Program (RCAP) • Market Risk Group (MRG) • Operational Resilience Group (ORG) • Policy Development Group (PDG) <ul style="list-style-type: none"> • Quantitative Impact Study Working Group (QIS) • Working Group on Capital (WGC) • Working Group on Liquidity (WGL) • Long Expositions Group (LEG) • Accounting Experts Group (AEG) • Task Force on Sovereign Exposures (TFSE) • Anti-Money Laundering Expert Group (AMLEG)
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS (IOSCO)
IOSCO Council
<ul style="list-style-type: none"> • Information Repository for Centralized Compensation Requirements • Subgroup for the Protection of Information • Cyber Work Group • Consultation Network on ICOs • Data Analysis Group (DAG) • Fintech Consultation Network • Consultation Network on Sustainable Finance
Committee on Issuer Accounting, Audit and Disclosure (C1)
<ul style="list-style-type: none"> • Accounting Sub-committee • Disclosure Sub-committee
Committee on Regulation of Secondary Markets (C2)
Committee on Regulation of Market Intermediaries (C3)
Committee on Enforcement and the Exchange of Information (C4)
<ul style="list-style-type: none"> • Scrutiny Group • Enhanced Multilateral Memorandum of Understanding (MMoU) Monitoring Group
Committee on Investment Management (C5)
Committee on Credit Rating Agencies (C6)
Committee on Commodity Derivatives Market (C7)
Committee on Retail Investors (C8)
Committee on Emerging Risks (CER)
Inter-American Regional Committee (IARC) / Council of Securities Regulators of the Americas (COSRA)
Growth and Emerging Markets Committee
Steering Committee
Assessment Committee

TRANS-SECTORAL GROUPS

CPMI-IOSCO

- Permanent Policy Development Group (PSG)
 - Steering Group

BCBS-IOSCO

- Working Group on Margin Requirements (WGMR)
- Working Group on Securitization Markets (TFSM)

BCBS-CPMI-FSB-IOSCO

- Group for the Analysis of Central Clearing Interdependencies in CCPs (SGCCI)
- Derivatives Assessment Team (DAT) - incentives to centrally compensate OTC derivatives

FINANCIAL STABILITY BOARD (FSB)

Committee on Supervisory and Regulatory Cooperation (SRC)

- Working Group on Governance Frameworks

Standing Committee on Standards Implementation (SCSI)

- Compensation Monitoring Contact Group (CMCG)
- Implementation Monitoring Network (IMN)

Correspondent Banking Coordination Group (CBCG)

- WS1 Data collection and analysis
- WS2 Clarification of regulatory expectations
- WS3 Development of the capacity of the national jurisdictions of the countries of origin of affected local banks
- WS4 Strengthening of due diligence tools by banking correspondents

Regional Consultative Group of the Americas (RCGA)

- Shadow Banking in the Americas Working Group

ALLIANCE FOR FINANCIAL INCLUSION (AFI)

Global Standards Proportionality Working Group (GSPWG)

SME Finance Working Group (SMEFWG)

Financial Inclusion Data Measuring Working Group (FIDMWG)

Financial Inclusion Strategy Peer Learning Group (FISPLG)

Digital Financial Services Working Group (DFS WG)

Consumer Empowerment and Market Conduct Working Group (CEMC)

Financial Inclusion Initiative for Latin America and the Caribbean (FILAC)

FINANCIAL ACTION TASK FORCE (FATF-GAFI)

FATF plenary meeting

FATF-GAFILAT plenary meeting

Annual Assembly

Board of Directors

- Audit Committee

INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

Assessment Councils of IFRS

Authorities of the IIMV Board

Spring | Fall Conference

Working Sections

- Investment Advisors Section
- Committee on International Affairs

COLLEGES OF BANK CRISIS SUPERVISION AND MANAGEMENT

BBVA Bancomer

- *General Meeting of Supervisors of BBVA – Joint Supervisory Team (European Central Bank)*
- *Supervisory College (Spain Bank)*
- *Crisis Management Group (Spain Bank)*

Santander

- *General Meeting of Supervisors of Santander – Joint Supervisory Team (European Central Bank)*
- *Colegio de Supervisión – General College of Supervisors (Spain Bank)*
- *Crisis Management Group (Spain Bank)*

Bank of Nova Scotia

- *Supervisory College (Office of the Superintendent of Financial Institutions (OSFI) Canada)*
- *Crisis Management Group (OSFI - Canada)*

CitiGroup

- *Core College*
- *Supervisory College (Office of the Comptroller of the Currency (OCC) / Federal Reserve Bank of New York – USA)*
- *US Crisis Management Group (Office of the Comptroller of the Currency (OCC) / Federal Reserve Bank of Nueva York – EUA)*

HSBC

- *HSBC College (Bank of England / Prudential Regulation Authority (PRA) - United Kingdom):*
 - *Core College*
 - *Global College*
 - *General College*
- *Crisis Management Group*

UBS

- *Supervisory College – UBS (Swiss Financial Market Supervisory Authority FINMA – Switzerland)*

CREDIT SUISSE

- *Supervisory College – Credit Suisse (Swiss Financial Market Supervisory Authority FINMA – Switzerland)*

CREDIT RATING AGENCIES SUPERVISION COLLEGES (CRAS)

- *Standard & Poor's; Moody's (SEC – USA)*
- *Fitch (ESMA – European Union)*

PACIFIC ALLIANCE / LATIN AMERICAN INTEGRATED MARKET (MILA)

Supervisors Meeting

- *Executive committee*
- *Project Development Committee*
- *MILA Supervision Committee*

Financing Integration Working Group (GT-INF)

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD)

International Financial Education Network (INFE)

Regional Network for Latin America and the Caribbean of the International Financial Education Network (INFE/OCDE)

Corporate Management Committee

GLOSSARY

Acronym	Name
ABM	Asociación de Bancos de México (Mexican Banks Association)
APF	Administración Pública Federal (Federal Public Administration)
AFI	<i>Alliance for Financial Inclusion</i>
AGN	Archivo General de la Nación (National General Archive)
AML/CTF	Anti-Money-Laundering / Counter Terrorism Financing
APIs	<i>Application Programming Interface</i>
APSR	Activos ponderados sujetos a riesgo (total risk weighted assets)
ASR	Activos sujetos a riesgo (Assets subject to risk)
ASRC	Activos sujetos a riesgo de crédito (Assets subject to credit risk)
ASRM	Activos sujetos a riesgo de mercado (Assets subject to market risk)
Banajército	Banco Nacional del Ejército, Fuerza Aérea y Armada
Bancomext	Banco Nacional de Comercio Exterior
Banobras	Banco Nacional de Obras y Servicios Públicos
Bansefi	Banco del Ahorro Nacional y Servicios Financieros
Banxico	Banco de México (Bank of Mexico)
BCBS	<i>Basel Committee on Banking Supervision</i>
BID	Banco Interamericano de Desarrollo
BIVA	Bolsa Institucional de Valores, S.A. de C.V.
BMV	Bolsa Mexicana de Valores (Mexican Stock Exchange)
CADIDO	Catálogo de disposición documental (Catalogue of Documentary Provision)
CAEDs	Canales de acceso electrónico directo (Direct electronic access channels)
CB	Certificados bursátiles (Stock certificates)
CBF	Certificados bursátiles fiduciarios (Trust certificates)
CBFE	Certificados bursátiles fiduciarios de inversión en energía e infraestructura (Energy and infrastructure investment trust certificates)
CBFI	Certificados bursátiles fiduciarios inmobiliarios (Real-estate Trust Certificates)
CCL	Coefficiente de cobertura de liquidez (Liquidity Coverage Ratio)
CDMX	Ciudad de México (Mexico City)
CEFER	Calificación de entidades financieras con enfoque de riesgos (Risk Focused Rating of Financial Entities)
CFE	Comisión Federal de Electricidad (Federal Electricity Commission)

SIGLA / ACRÓNIMO	NOMBRE
CFEN	Coefficiente de financiamiento estable neto (Net Stable Financing Ratio)
CEPCI	Comité de Ética y de Prevención de Conflictos de Interés (Committee on Ethics and Prevention of Conflicts of Interest)
Cerpi	Certificados bursátiles fiduciarios de proyectos de inversión (Investment Projects Trust Certificates)
CESF	Consejo de Estabilidad del Sistema Financiero (Financial System Stability Board)
Cinif	Consejo Mexicano de Normas de Información Financiera A.C. (Mexican Board of Financial Reporting Standards)
CISO	Chief Information Security Officer
CKD	Capital Development Certificates
CNBV	Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission)
CNDH	Comisión Nacional de los Derechos Humanos (National Human Rights Commission)
CNSF	Comisión Nacional de Seguros y Fianzas (National of Insurance and Bonds Commission)
Conaif	Consejo Nacional de Inclusión Financiera (National Financial Inclusion Board)
CONDUSEF	Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros (National Commission for the Protection and Defense of Users of Financial Services)
CONSAR	Comisión Nacional del Sistema de Ahorro para el Retiro (National Retirement Savings System Commission)
CUB	Disposiciones de carácter general aplicables a las instituciones de crédito (Circular única de bancos) (General provisions applicable to credit institutions)
CUCB	Disposiciones de carácter general aplicables a las casas de bolsa (Circular única de casas de bolsa) (General provisions applicable to the brokerage firms)
CUE	Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores (Circular única de emisoras) (General provisions applicable to securities issuers and other participants in the securities market)
CUEACP	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 (Circular única de entidades de ahorro y crédito popular) (General provisions applicable to popular savings and loan institutions, integration bodies, community financial companies, and rural financial integration bodies, to which the Law on Popular Savings and Loan refers)
CUFI	Disposiciones de carácter general aplicables a los fondos de inversión y a las personas que les prestan servicios (Circular única de fondos de inversión) (General provisions applicable to investment funds and the persons who provide services to them)
CUIFE	Disposiciones de carácter general aplicables a los almacenes generales de depósito, casas de cambio, uniones de crédito y sociedades financieras de objeto múltiple reguladas (Circular única de intermediarios financieros especializados) (General provisions applicable to bonded warehouses, currency exchange offices, credit unions, and regulated multi-purpose financing companies)
CUOEF	Disposiciones de carácter general aplicables a los organismos de fomento y entidades de fomento (Circular única de organismos y entidades de fomento) (General provisions applicable to promotion bodies and promotion entities)
CURP	Clave Única de Registro de la Población (Unique Population Registry Key)
CUSOCAP	Disposiciones de carácter general aplicables a las actividades de las sociedades cooperativas de ahorro y préstamo (Circular única de sociedades cooperativas de ahorro y préstamo) (General provisions applicable to savings and loan cooperatives)
DOF	Diario Oficial de la Federación (Official Gazette of the Federation)
EBR	Enfoque basado en riesgos
ECCO	Encuesta de Clima y Cultura Organizacional (Organizational Climate and Culture Survey)
ENAFIN	Encuesta Nacional de Financiamiento de las Empresas (National Survey on Financing of Companies)
ENIF	Encuesta Nacional de Inclusión Financiera (National Survey of Financial Inclusion)
EPRC/CT	Estimaciones preventivas para riesgo crediticio/cartera de crédito total (Preventive estimates for loan risk / total portfolio)
ESC	Evaluación de suficiencia de capital (Capital adequacy assesment)
ESC-EI	Evaluación de suficiencia de capital bajo escenarios internos (capital adequacy assesment under internal scenarios)

SIGLA / ACRÓNIMO	NOMBRE
ESC-ES	Evaluación de suficiencia de capital bajo escenarios supervisores (capital adequacy assessment under supervisory scenarios)
ETF	Exchange-traded fund
EUA	Estados Unidos de América
FEPADE	Fiscalía Especializada para la Atención de Delitos Electorales (Specialized Prosecutor's Office for Electoral Crimes)
FGR	Fiscalía General de la República (Federal Prosecutor of Mexico)
Fibra E	Fideicomiso de inversión en infraestructura y energía (Investment Trusts in Infrastructure and Energy)
Fibras	Fideicomisos de infraestructura y bienes raíces (Infrastructure and Real Estate Trusts)
Fifomi	Fideicomiso de Fomento Minero
Fintech	Financial Technology
Fipago	Fondo para el Fortalecimiento de Sociedades y Cooperativas de Ahorro y Préstamo y de Apoyo a sus Ahorradores (Fund for the strengthening of Savings and Loan Cooperatives and companies and for support to their savers)
FIRA	Fideicomisos Instituidos en Relación a la Agricultura
FND	Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero (National Financing Company for Agricultural, Rural, Forestry, and Fisheries Development)
Focoop	Fondo de Supervisión Auxiliar de Sociedades Cooperativas de Ahorro y Préstamo y de Protección a sus Ahorradores (Auxiliary Supervision Fund of Savings and Loan Cooperatives and for Protection of their Savers)
FOVI	Fondo de Operación y Financiamiento Bancario a la Vivienda
Fovissste	Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado
GAFI/FATF	Grupo de Acción Financiera Internacional (<i>Financial Action Task Force</i>)
GRI	Grupo de Respuesta a Incidentes Sensibles de Seguridad de la Información (Response Group to Sensible Incidents of Information Security)
IBD	Instituciones de banca de desarrollo (Development banks)
IBM	Instituciones de banca múltiple (Commercial banks)
ICAP	Índice de capitalización (Capitalization index)
ICOR	Índice de cobertura (Coverage index)
IFC	Instituciones de financiamiento colectivo
IFP	Índice de fortaleza patrimonial (Balance-sheet Strength Index)
IFPE	Instituciones de fondos de pago electrónico
IFRS	International Financial Reporting Standard
IHH	Índice Herfindahl-Hirschman
IIMV	Instituto Iberoamericano del Mercado de Valores (Ibero-american Securities Market Institute)
IMOR	Índice de morosidad (Delinquency Index)
INAI	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)
Indeval	Institución para el Depósito de Valores SD Indeval (Institution for the Deposit of Securities)
Infonacot	Instituto del Fondo Nacional para el Consumo de los Trabajadores
Infonavit	Instituto del Fondo Nacional de la Vivienda para los Trabajadores
IPAB	Instituto para la Protección al Ahorro Bancario (Institute for the Protection of Bank Savings)
IPC	Índice de Precios y Cotizaciones (Mexican Stock Exchange Index)
ITF	Instituciones de tecnología financiera
LACP	Ley de Ahorro y Crédito Popular (Law on Popular Savings and Loan)
LFI	Ley de Fondos de Inversión (Investment Funds Law)

SIGLA / ACRÓNIMO	NOMBRE
LGOAAC	Ley General de Organizaciones y Actividades Auxiliares del Crédito (General Law on Auxiliary Credit Activities and Organizations)
LIC	Ley de Instituciones de Crédito (Credit Institutions Law)
LMV	Ley del Mercado de Valores (Securities Market Law)
LRASCAP	Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo (Law to Regulate the Activities of Savings and Loan Cooperatives)
LRSIC	Ley para Regular a las Sociedades de Información Crediticia (Law to Regulate Credit Information Bureaus)
LTOSF	Ley para la Transparencia y Ordenamiento de los Servicios Financieros (Law for Transparency and Ordering of the Financial Services)
LUC	Ley de Uniones de Crédito (Credit Unions Law)
Mafar	Margen financiero ajustado por riesgos crediticios (Financial margin adjusted for loan risks)
Million MXN	Million of Mexican Pesos
MOP	Electronic Means of payment
MILA	Mercado Integrado Latinoamericano (Latin American Integrated Market)
MIN	Margen financiero (Financial margin)
Billion MXN	Thousands of millions Mexican Pesos
Nafin	Nacional Financiera
Nicap	Nivel de capitalización (Capitalization Level)
NIF	Normas de Información Financiera (Financial Reporting Standards)
OAAC	Organizaciones y actividades auxiliares de crédito (Auxiliary Credit Activities and Organizations)
OAS	Organization of American States
OICV/IOSCO	Organización Internacional de Comisiones de Valores (<i>International Organization of Securities Commissions</i>)
OIFR	Organismos de integración financiera rural (Rural Financial Integration Bodies)
OPA	Oferta pública de adquisición de acciones
OVD	Operaciones con valores y derivados (Operations with securities and derivatives)
PAP	Plan de acción preventivo (Preventive action plan)
pb	Puntos base
PC	Plan de capitalización (Capitalization Plan)
PES	Padrón de Entidades Supervisadas (Supervised Entities Registry)
PGR	Procuraduría General de la República (Office of the Mexican Attorney General)
PFI	Pasaporte de fondos de inversión (Investment fund Passport)
PLD/FT	Prevención de operaciones con recursos de procedencia ilícita y financiamiento al terrorismo
PNIF	Política Nacional de Inclusión Financiera (National Financial Inclusion Policy)
pp	Percentage points
Prosofipo	Fondo de Protección de Sociedades Financieras Populares y de Protección a sus Ahorradores (Protection Fund of Popular Financing Companies and for Protection to their Savers)
PTAR	Programa de Trabajo de Administración de Riesgos (Risk Management Work Program)
PTCI	Programa de Trabajo de Control Interno (Internal Control Work Program)
PTS	Plataforma tecnológica de supervisión (Supervisory Technological Platform)
R²A	RegTech for Regulators Accelerator
RI	Reporte Institucional (Institutional Report)

SIGLA / ACRÓNIMO	NOMBRE
RICI	Red Institucional de Control Interno (Internal Control Institutional Network)
RNIF	Reporte Nacional de Inclusión Financiera (National Report of Financial Inclusion)
RNV	Registro Nacional de Valores (National Registry of Securities)
ROA	Return on assets
ROE	Return on equity
S.A.B.	Sociedad anónima bursátil (Publicly-Traded Corporation)
S.A.P.I.	Sociedad anónima promotora de inversión (Investment promotion limited company)
SBR	Supervisión basada en riesgos (Risk-based supervision)
SEAOC	Sistema electrónico de autorizaciones para la organización, operación y funcionamiento de entidades (Electronic System of Authorizations for the Organization, Operation and Functioning of Entities)
SFP	Secretaría de la Función Pública (Ministry of Public Function)
SHCP	Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit)
SHF	Sociedad Hipotecaria Federal
Siara	Sistema de atención de requerimientos de autoridad (System of Attention to Authority Requirements)
SIC	Sociedades de Información Crediticia (Credit Information Bureaus)
Sipres	Sistema de registro de prestadores de servicios financieros (Financial Service Providers Registration System)
SNEF	Semana Nacional de Educación Financiera (National Financial Education Week)
SOCAP	Sociedades cooperativas de ahorro y préstamo (Savings and Loan Cooperatives)
SOFINCO	Sociedades financieras comunitarias (Community Financial Companies)
SOFIPO	Sociedades financieras populares (Popular Financing Companies)
SOFOM E.N.R.	Sociedades financieras de objeto múltiple entidades no reguladas (Multi-purpose financing companies – non-regulated entities)
SOFOM E.R.	Sociedades financieras de objeto múltiple entidades reguladas (Multi-purpose financing companies – regulated entities)
SPAC	Special purpose acquisition company
SPC	Servicio Profesional de Carrera (Professional Career Service)
SPCT	Servidores Públicos de Carrera Titulares (Staff Career Public Officers)
SPEI	Sistema de Pagos Electrónicos Interbancarios (Interbank Electronic Payments System)
Suptech	<i>Supervisory technology</i> (Tecnología de supervisión)
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TDA	Tasa de deterioro ajustada (Adjusted impairment ratio)
TIC	Tecnologías de la información y comunicaciones
TLCAN	Tratado de Libre Comercio de América del Norte
TPV	Terminales punto de venta
UBVA	Unidad de Banca, Valores y Ahorro
Udis	Unidades de inversión
UEIPPCI	Unidad de Ética, Integridad Pública y Prevención de Conflictos
UIF	Unidad de Inteligencia Financiera
VaR	Valor en riesgo
XBRL	<i>Extensible business reporting language</i>

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