

GUIDELINES FOR THE SELECTION OF COMMODITY INDEXES APPROVED BY THE RISK ANALYSIS COMMITTEE¹

INTRODUCTION

Based on the articles 1, 2, 5, fraction XVI, 43, fourth paragraph and 45 of the “*Ley de los Sistemas de Ahorro para el Retiro*” (henceforth, Retirement Savings System Law); the “*Disposiciones de carácter general que establecen el régimen de inversión al que deberán sujetarse las Sociedades de Inversión Especializadas de Fondos para el Retiro*” (henceforth, Provisions), as well as on the agreements approved in the Thirtieth Ordinary Meeting of the “*Comité de Análisis de Riesgos*” (henceforth, Risk Analysis Committee or CAR) of “*Comisión Nacional del Sistema de Ahorro para el Retiro*” (CONSAR), held on August 16, 2013, hereby inform the criteria determined by the CAR, required by the Commodity indexes for inclusion in the Commodity indexes list published in the webpage of CONSAR referred to the Provisions.

The aim of this document is to present the guidelines in which the CAR evaluates the inclusion of the commodity indexes in the Commodity indexes list.

These Criteria consider four aspects: i) the Commodity index composition, ii) the track record of the Commodity index provider, iii) the services offered by the Commodity index provider and iv) additional criteria that include, *inter alia*, the formal documentation that supports the evaluation of the Commodity index. All of these aspects are detailed below.

1. THE INDEX

1.1 Concentration limits

- The index must be comprised of at least 10 Commodities.
- The index must be comprised of at least 3 Commodity sectors, provided that each of the following must be considered a sector: energy, agriculture grains, agriculture softs, livestock, precious metals and industrial metals.
- The maximum weight limit per Commodity shall not exceed 40%.
- For the purposes of complying with the maximum concentration limit set forth in the foregoing, the performance of the Commodity index in the last 5 years must be taken into account (“track record” for the last 5 years, at least on a monthly basis). In the event of Commodity indexes with a track record of less than 5 years, but equal to or greater than 6 months, such index must file a “back test”, which must be applied in accordance with the current regulations of the index considering the last 5 years at least on a monthly basis, and in which it shows the compliance with the previous maximum limit for such period.
- The index may exceed the 40% maximum concentration limit per Commodity, in a transitional manner, in no more than 20% of the time over the last 5 years, with at least on a monthly basis.

¹ This English version is intended for information purpose, please refer to the Spanish version, which is the valid version approved by the Risk Analysis Committee (CAR).

1.2 Transparency in the management of index policies

- The objectives and the index methodology must be made public, including the following:
 - a) The universe of eligible Commodities, the selection criteria of such commodities, as well as the exclusion criteria;
 - b) The policies, the criteria, the strategies or any applicable rule that is used to set forth to determine the weight of each Commodity, and if applicable, by sector;
 - c) Other limitations on the weights, which, if applicable, will be used on the agreements that comprise the index;
 - d) The policies, procedures, strategies or any applicable rule that is used to rebalancing of the Commodities that the index is comprised of;
 - e) The policies, procedures, strategies or any applicable rule that is used to rolling must be specified, such agreements must be made public and transparent, including, at least, the days and periods of rotation per Commodity;
 - f) The formula for the calculation of the index.
 - g) The emergency procedures to adjust the index when facing a market disruption or abnormal market behavior.
 - h) The sources of information for the calculation of the prices of the agreements and the Assets Subject to Investment that make up the index, and
 - i) The policies of disclosure of information related to the index.
- The index must have been made public without any interruption, at least 6 months prior to the assessment for its incorporation into the list of Commodity indexes.

1.3 Aspects of the Commodity derivative contracts

- The index must be comprised of Commodity future contracts. In exceptional cases, in which forward or swap agreements have to be used, the characteristics that such agreements may have, the underlying assets they will replicate, and the circumstances in which such policy will be implemented, must be set forth in the methodology of the index.
- The characteristics and eligibility requirements of the derivative agreements of the Commodities set forth in the index shall be known.
- The index must only be comprised of derivative agreements based on the aforementioned eligible Commodities, and if applicable, on fixed income securities authorized by the Provisions.
- The index must include only large positions.

2. THE INDEX PROVIDER

The entity that defines, makes public, or calculates the Commodity index must be experienced and must have a recognized international prestige. The entity that defines and makes the Commodity index public may be an independent entity of the index calculating agent.

2.1 Experience of the index provider

- The index provider must have a seniority of at least 10 years providing general indexes, and at least 5 years providing Commodity indexes.
- In the event that the provider is an entity other than the calculating agent, the latter must have a minimum of 5 years calculating general indexes.
- The entity herein described must not have any judicial, administrative or arbitration procedures related to any breach of the ethic codes, internal laws and/or violations to the market sound practices.

2.2 Corporate governance of the index provider

- The index provider must have a committee or a governance body that is responsible for the index methodology. This committee must be comprised of specialized personnel of such entity.
- The index providers must make available to CONSAR or the AFOREs, at all times, the names of the members of the committee or governance body that is responsible for the methodology, and if applicable, the appointed assessment committee/panel, the criteria and procedures utilized to appoint such committee or governance body must also be notified.
- The index committee or governance body of the index must be responsible for:
 - a) The revision and approval of the index methodology.
 - b) The selection criteria of the sample and the inclusion and exclusion of the Commodities.
 - c) The liquidity criteria used in each case.
 - d) The policies in determining the weights.
 - e) The rebalancing policies.
 - f) Setting forth specific and periodic days for the rebalancing, as well as for the revision of the integration of the index.
 - g) The formula to calculate the index level.
 - h) Other adjustments not considered herein that, if applicable, must be performed.
 - i) The rolling of contract rules.

3. MINIMUM SERVICES OF THE INDEX PROVIDER

With the aim of enhancing the trustworthiness of the index, and the correct and timely valuation of such index, the following is set forth:

3.1 Information that must be made available for the buyer and CONSAR, on a daily basis, and at the end of the business day

- The Commodities that comprise the index and its weights, and adjustments, if applicable, were made for the index calculation.

3.2 Information that must be made available for the buyer and CONSAR on a daily basis and real-time

- Index value. This may be provided through the system and/or by means of subscription.

3.3 Historical information that must be made available for the buyer and CONSAR, on a daily basis, with the purpose of analyzing the index

- Index levels, yields, total returns, components and weights of the index.

4. COMMODITY SUB-INDEXES

AFOREs are able to invest only on the Commodity indexes published on CONSAR's webpage. The Commodity sub-indexes derived from authorized Commodity indexes are not allowed, unless the CAR approves explicitly their inclusion.

5. AVAILABLE DOCUMENTATION TO SUPPORT THE INDEX OR SUB-INDEX AND THE APPLICATION PROCEDURE

To initiate the inclusion process of a Commodity index in the indexes list, the applicant must submit to CONSAR a formal petition for inclusion in the aforementioned indexes list.

The formal petition for inclusion of any Commodity index must be enclosed with an interest letter of any AFORE, or AMAFORE, properly filed by an authorized AFORE's or AMAFORE's representative, which points out the AFORE's or AMAFORE's interest to invest in the requested Commodity index. The interest letter must not have legally-binding nature.

The applicant must demonstrate that the requested Commodity index satisfies these guidelines. For the above purposes, the applicant must submit to CONSAR formal documentation that supports it, in Spanish or English, in order to verify compliance with the criteria presented in this document. In case that any employee of the sponsor/provider company of the Commodity index who has legal powers to interpret and to add general rules of operation of the current index, must make the necessary clarifications regarding these criteria; however, these clarifications must be submitted and signed by the adequately accredited representative.

6. FINAL REMARKS

The criteria outlined here are a set of objective principles on which the CAR could base their opinion about the inclusion of a new Commodity index or sub index, or exclusion if the case, in the Commodity indexes list. Nevertheless, in accordance with Article 45 of the Retirement Savings System Law, the CAR preserves the faculty of consider

complementary elements, whenever necessary, in the evaluations made to the requested Commodity indices with the aim of preserving the safety of the employees' resources.