



Scotiabank is a founding clearing member and a shareholder of the Mexican Derivatives Exchange (MexDer) through a trust called Socio Liquidador Inverlat, and operates under the legal name Scotia Inverlat Derivados S.A. de C.V.

This agreement is signed in both Spanish and English. The English version is provided for information purposes only. However the Spanish version will prevail.

## BROKERAGE CONTRACT

**BETWEEN SCOTIA INVERLAT DERIVADOS, S.A. DE C.V. (HEREINAFTER THE "TRADER"), AND THE PARTY WHOSE DATA APPEAR IN THE SECTION ENTITLED GENERAL INFORMATION (HEREINAFTER, THE "CLIENT"), IN ACCORDANCE WITH THE FOLLOWING SECTION ON GENERAL INFORMATION, STATEMENTS, AND CLAUSES:**

### GENERAL INFORMATION

Client Information:

MexDer Account Number:

Name, Denomination or Corporate Name:

Address:

Address line 2:

Zip code:

City: State:

Telephone:

Fax:

Parties authorized to perform transactions under the terms of this Contract:

Name

Signature Type

Signature

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Account number 1 for delivering Contributions in domestic currency from the Clearing Member to the Client:

Deposit to bank:

**Scotiabank Inverlat, S.A.**

Code

Branch:

**89**

Account name:

**Fideicomiso Terceros**

Account number (cash):

**523376-3**

City and State:

**México, D.F.**

Account number 2, for delivering settlements in domestic currency from the Clearing Member to the Client:

Deposit to bank:

Code

Branch:

Account name:

Account number (cash):

City and State:

Account number 3 for delivering dollars from the Client to the Clearing Member:

Deposit to bank: **Bank of America**

Code:

Branch: **Concord, California**

Account name: **Banco Inverlat, S.A.**

Account number (foreign currency): **6290626890**

City and State: **U.S.A.**

Account number 4 for delivering dollars from the Clearing Member to the Client:

Deposit to bank:

Code: Branch:

Account name:

Account number (foreign currency):

City and State:

Account number 5 for delivering securities from the Client to the Clearing Member:

Securities management institution (Bank/Brokerage firm): **INDEVAL, S.A. DE C.V.**

Code:

Branch:

Account name: **Banco Inverlat, S.A.**

Account number (securities): **020270021**

City and State: **México, D.F.**

Account number 6 for delivering securities from the Clearing Member to the Client:

Securities management institution (Bank/Brokerage firm):

Code: Branch:

Account name:

Account number (securities):

City and State:

## STATEMENTS

- I. The Trader States:
  - I.1. That its representative(s) have the necessary faculties to legally bind it to the terms of this contract and that these faculties have not been limited, suspended or revoked in any way;
  - I.2. That it has the necessary capacity, technical and material elements to bind itself to the terms of this contract;
  - I.3. That it has an agency and service contract with **Scotiabank Inverlat, S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat**, in the administration of trust no. 101776 (hereinafter, the "Clearing Member"), by virtue of which it has the faculty to perform the transactions the client instructs; and
  - I.4. That it has familiarized and supplied the Client with all the necessary information on the rights, obligations, terms and conditions to which it will be subject in entering into Futures and Options Contracts on MexDer, Mercado Mexicano de Derivados, S.A. de C.V. (the Mexican derivatives market, hereinafter known as the "Exchange.")
- II. The Client states:
  - II.1. That it wishes to enter into a contract of adhesion (hereinafter, the "Adhesion Agreement"), joining the CONTRACT of trust no. 101776, administered by Scotiabank Inverlat, S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.
  - II.2. That the information and data contained in the above General Information Section, are true and current as of the date this contract is signed;
  - II.3. That it knows the "Rules governing corporations and trust that participate in the establishment and operation of a market for exchange-listed futures and options," issued by the Ministry of Finance and Public Credit, Banco de Mexico, and the National Banking and Securities commission, published in the Official Gazette of the Federation on December 3, 1996, and its modifications (hereinafter, the "Rules"), the "Prudential provisions governing transactions by participants in the exchange-listed futures and options market," published in the Official Gazette of the Federation on May 26, 1997, and its modifications (hereinafter, the "Provisions"), and which the Trader has made available to it through the media established for this purpose by the Exchange, the Exchange Regulations, the Exchange Operating Manual, the Regulations of the Clearinghouse, and the Operating Manual of the Clearinghouse;
  - II.4. That it agrees that in circumstances not mentioned in the Rules and Provisions, common business law, bank, market and mercantile practice, the Civil Code for the Federal District, and the Federal Code of Civil Procedures, shall supplete these Rules and Provisions;
  - II.5. That it knows and accepts the terms contained in the General Contract Conditions for Futures and Options Contracts. II.6  
That it was given a copy of the document that describes in general terms the order receipt and assignment system used in trading by the Trader, and that it accepts the terms and conditions stated therein. This document is attached to this contract as Attachment 1, duly signed by the Client;
  - II.7. That it is aware of and accepts the limit positions for entering into Futures and Options Contracts on the Exchange which are established by the Clearing Member which may be less than or equal to those contained in the General Contract conditions, and that it therefore acknowledges and accepts that the Trader is not obliged to perform any transaction in excess of these limits, on the understanding that the Clearing Member may modify them at any moment at its own discretion;
  - II.8. That it received corporate information from the Trader, as well as the information prospectuses on the Futures and Options Contracts. These documents are attached to this Contract as Attachment 2, duly signed by the Client;
  - II.9. That it acknowledged that it has been provided with an explanation for and accepts the fact that by the nature of the transactions covered by this Contract it is not possible to guarantee any yield, and that the transactions are subject to

gains or losses according to the fluctuation of prices on the market, and that Future and Option Contracts traded on the Exchange have no type of backing or guarantee through mechanisms and funds managed by the public sector, such as the Institute for the Protection of Bank Savings (IPAB), or those that might be applicable to or available through any other institution, fund, entity or centralized or de-centralized agency or of any other kind that has been established or is established later for this purpose or with a similar purpose;

- II.10 That it knows and accepts the limits of liability for the Trader, the Clearing Member, the Exchange and the Clearinghouse in performing transactions on behalf of Clients;
- II.11 That it is aware of the tax obligations stemming from engaging in financial transactions on the derivatives market through the Exchange and the Clearinghouse; and
- II.12 That its representative(s) have the necessary faculties to bind it to the terms of this contract and that these faculties have not been limited, suspended, or revoked in any way.

On the basis of the above statements, the parties agree to assume the obligations entailed in the following:

## **CLAUSES**

### **ONE. DEFINITIONS.**

The parties accept the definitions contained in the Clearinghouse Rules, Provisions, and Regulations, and the Regulations of the Exchange, as if they were reproduced herein.

### **TWO. PURPOSE**

In accordance with the terms of this Contract, the Trader shall perform, confirm, and assign transactions in Futures and/or Options Contracts on the Exchange on behalf of the Client.

These transactions shall be carried out through the control desk's reception of buy and sell orders as they are received, to be sent to and executed on the Exchange, within the trading hours. The orders shall be executed on a best-price, first-trade basis, and when the price is equal, first-come, first-served basis. The assignment of transactions shall also be the responsibility of the control desk, which shall carry them out by strict order of execution on the Exchange.

### **THREE. COMPLIANCE WITH SELF-REGULATORY RULES.**

The Client hereby expressly agrees to abide by the self-regulatory rules of the Exchange, and acknowledges that the rules contained in the Regulations of the Exchange, the Operating Manual of the Exchange, the Regulations of the Clearinghouse and the Operating Manual of the Clearinghouse, establish the terms and conditions that will govern the Trader in performing, confirming and assigning Futures and Options Contracts on the Exchange.

### **FOUR. TRADING CONDUCT OBLIGATIONS.**

The Trader accepts that, with respect to trading conduct, it shall have the following obligations:

- a) To inform the Client of all material, abnormal or extraordinary events regarding the transactions it has been instructed to perform, as soon as it has knowledge of them.
- b) To communicate to the Client any information provided to it by the Exchange on special and material events, as well as emergency actions, as soon as it has knowledge of them.
- c) To inform the Client when due to its own breach of contract, its Open Contracts are being closed.
- d) Refrain from performing the Client's transactions if the ruling of an arbitration or disciplinary panel finds the Client liable for a violation of the rules applicable under the terms of the Exchange Regulations, as soon as the Trader is informed of the respective ruling.
- e) To maintain a daily record of the trades in which it is involved, containing all the orders and transactions executed for each account, including the date, price, amount and expiration date.
- f) To execute only orders that have been expressly presented to it, and to execute them as soon as possible in accordance with the instructions received and under the terms that provide the greatest possible benefit to the Client.
- g) Inform the Clearing Member of any breach of contract or notice of termination with regard to this Contract.

### **FIVE. GENERAL CONTRACT CONDITIONS.**

The Client shall abide by the current General Contract Conditions, which are published in the Bulletin entitled "Indicadores del Mercado de Productos Derivados", to be found on the web page of the Exchange. The Clearing Member must make those conditions available to clients on request.

Changes to the General Contract Conditions shall also be published in the above-mentioned Bulletin. Any act or instruction made by the Client under the terms of the modifications shall be considered acceptance, and shall thus be fully and legally binding.

#### **SIX. PROVISION OF FUNDS.**

In accordance with the terms, conditions and hours referred to in clause six of the Adhesion Agreement, the Client must deliver to the Clearing Member, whenever the Trader requests it, the Margins necessary to engage in and perform the Futures and Option Contracts that the Trader executes on its behalf, in the accounts indicated in the General Information Section of this Contract, on the understanding that the requests for cash or securities may be greater than those requested by the Clearinghouse. These Margins may be applied to meeting the obligations derived from Open Contracts, for new transactions and, when necessary, for the payment of conventional penalties under the terms of the Adhesion Agreement and of this contract, as well as the Exchange Regulations.

When the Trader requests that the client submit Margins or payments of any kind in relation to the Futures and Option Contracts that have been traded, the following shall apply:

- a) Before recording a Client order, the Client must submit to the Clearing Member the Margins requested of it by the trader, as established in the first paragraph of this clause, and deposit them in the accounts indicated in the General Information Section of this Contract, with number 1 and number 5, as the case may be.

Failure by the Client to comply with the obligation described in the preceding paragraph shall exempt the Trader from all liability for refraining from recording and executing the Client's orders.

- b) During the life of the Futures and Option Contracts, the Client must, at the request of the Trader, submit to the Clearing Member the resources necessary to create and restore Margins and Excess Margins, as well as the balances due from it resulting from Daily Settlement and settlement at expiration, under the terms, conditions and hours established for these purposes, and in accordance with the first paragraph of this clause.
- c) The Trader shall request that the Client submit the funds referred to in this clause, on the understanding that it may under no circumstances administer or maintain the Client's cash or securities.

The parties agree that the Client's Margin Securities must be submitted through the Clearinghouse's System for Administering Margin Securities for Derivatives, and the parties therefore acknowledge that they must agree on the designation of a depository institution, in this case S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, which shall have access to that system, so that it can submit and withdraw securities with the Clearing Member.

The terms of the present clause notwithstanding, any request for funds that must be supplied by the Trader may be made directly to the Clearing Member when the Trader does not provide them, or when circumstances so require.

#### **SEVEN. DEFAULT.**

If a Client fails to comply with any of the obligations incurred in this contract, the Trader shall notify the Clearing Member to apply the measures established for cases of default, under the terms of the Adhesion Agreement.

#### **EIGHT. ORDER INSTRUCTIONS.**

The parties agree that the instructions drafted by the Client to the Trader to perform transactions or any other communication between the Client and the Trader, unless especially addressed in other terms in this Contract, may be conducted by written means, by phone, or through any other electronic, computer or telecommunications media agreed upon by the parties, specifying the type of transaction (buy or sell), price, Class, Series, volume, and any other characteristic necessary to identify the Contracts involved in each transactions, according to the General Contract Conditions.

The parties agree that instructions regarding Margin administration, such as movements in the Client's accounts, withdrawal of cash or securities, notices, requests, or any other communication from the client with regard to these, should be transmitted to the Clearing Member in accordance with Clause Seven of the Adhesion Agreement.

The above notwithstanding, the instructions referred to in the second paragraph of this clause may be directed to the Clearing Member through the Trader, when so authorized by the Client and by the Trader.

#### **NINE. PROOF OF TRANSACTIONS.**

The Client agrees that any instruction expressed in writing, in a sound recording, or through any other electronic, computer or telecommunications media agreed upon by the parties, shall constitute sufficient proof of orders and, when applicable, of transactions in Futures and Option Contracts requested of the Trader.

The Client expressly acknowledges that for the use of electronic media, the Trader may establish access codes, identification codes, and when necessary, trading codes, to stand in for the Client's physical signature, so the documentary or technical proofs derived from the use of those codes shall produce the same legal affect as documents signed by the parties, and shall equal probative value.

The use of access, identification and trading codes shall be the exclusive responsibility of the Client, and the Trader shall therefore not be held liable for damages or losses incurred by the Client because of the improper use of those codes.

The Client may request that the codes be changed by notifying the Trader in writing; the Trader must make the change within two (2) business days following that notification and inform the Client of the same, on the understanding that the change of codes shall take effect on the Business Day following that on which the Client receives the corresponding notification.

The Client consents for the Trader to tape telephone conversations regarding the activities carried out under the terms of this contract. The tapes held by the Trader shall constitute proof of the conversations that took place via this medium and shall have the same probative value in legal proceedings as private documentary evidence.

#### **TEN. DELEGATION OF POWERS.**

The Trader may replace sales representatives during their temporary absences by others assigned according to its internal procedures. In addition, it is free to permanently replace a sales representative assigned to the Client, after first notifying the Clearing Member and later the Client of the respective substitution in the account statement for the month in which the change takes place, noting the code of the new sales representative.

Furthermore, the trader may entrust the trades ordered by the Client to third parties who possess the necessary capacity in accordance with the applicable provisions, without having to obtain the Client's consent, provided it has obtained the written consent of the Clearing Member.

#### **ELEVEN: TRADING ON THE EXCHANGE**

The Client acknowledges and agrees that once the Trader executes an instruction from the Client, it has been performed in accordance with the Exchange Regulations; and that once the Clearinghouse has accepted that transaction under the terms of its Regulations, it shall be the Client's counterparty under the same terms and conditions under which the trade in question has been negotiated.

Accordingly, the Client's rights and obligations stemming from the trades it makes through the trader on the Exchange and which are recorded with the Clearinghouse, shall be exclusively with the Clearinghouse. Furthermore, as the counterparty of the Client, the Clearinghouse is authorized and obliged to that Client under the terms established in the Exchange Regulations and in the Clearinghouse Regulations.

#### **TWELVE. SOUND MARKET USES AND PRACTICES.**

The client shall at all times observe sound market uses and practices and comply with the obligations applicable to it as established in the Exchange Regulations.

The sound market uses and practices that the Client must observe include, but are not limited to, the following:

- a) To refrain from trading Futures and Options Contract for their own benefit or that of others, with any Underlying Asset whose price may be affected by the use of inside information, as long as said information is classified as such.

For the purposes of the preceding paragraph, inside information is understood to mean knowledge of acts, deeds or events about which the general public has not been informed and that are capable of influencing the prices of Underlying Assets that are the basis of Futures and Options Contracts, while this information has not been made public knowledge, or under any other situation which defines "inside information" in the Exchange Regulations.

- b) To refrain from engaging in simulated trades or triangulation through different brokerage contracts in an effort to manipulate the prices of Future or Option Contracts.
- c) To refrain from entering into Future or Option Contracts based on Underlying Assets in which the Client is prohibited from trading under the prevailing regulations.
- d) To refrain from distorting the price formation process, interrupting the orderly operation of the market, or provoking artificial movements in the quotations of an Underlying Asset or a Futures or Option Contract on the Exchange.
- e) To refrain from entering into Exchange-listed Futures or Options Contracts outside of the Exchange.
- f) To refrain from committing any act that might directly or indirectly affect the image or financial integrity of the Exchange, the Clearinghouse, a Client, Clearing Member, or the market in general.
- g) To comply with the payment obligations derived from Futures and Options Contracts traded on the Exchange.
- h) To make notification of the start of any bankruptcy, default or suspension of payment procedures against it or against its shareholders, subsidiaries, or affiliates, as well as of any definitive sentencing for crimes of property against any of those parties.
- i) To make notification when it becomes aware of any violation of the existing market regulations.

- j) To comply with the resolutions reached in the arbitration proceedings of the Exchange, and with any resolutions to impose trading restrictions under the terms of the Exchange Regulations.
- k) To refrain from directly or indirectly performing transactions for third parties, except in the case of foreign financial institutions that maintain accounts with characteristics that are equal, analogous or similar to Global Accounts, and which have been authorized by the Exchange.
- l) To refrain from trading in violation of the laws and, in general, of the applicable rules and provisions.

#### **THIRTEEN. CONVENTIONAL PENALTIES.**

The Client acknowledges and accepts that the Trader may demand payment of conventional penalties if the former engages in any of the actions enumerated in the preceding clause, without prejudice to any other measures that may be adopted by the Exchange or the Clearinghouse under the terms of their respective regulations.

These conventional penalties shall be determined by choosing the highest amount from the range established in the Exchange Regulations, as a multiple of the daily minimum wage for Mexico City, and the Client may submit to the arbitration proceedings established in the Exchange Regulations.

The Client acknowledges that the resources obtained by the Clearinghouse through the application of economic penalties to Clearing Members shall be recorded under the terms of the Regulations.

#### **FOURTEEN. CLEARING OF TRANSACTIONS.**

The Client acknowledges and accepts that the obligations derived from the performance of Futures and Options Contracts, shall be carried out in accordance with Clause Nine of the Adhesion Agreement.

The parties recognize and accept that the Exchange and the Clearinghouse may order the Clearing Member to reduce or cancel Open Contracts in a given Series before their expiration date, to adjust the number of Open Contracts to the position limits established in the General Contract conditions, by performing a closing trade as established in Clause Nine of the Adhesion Agreement. This instruction may be executed directly by the Clearing Member or through the Trader, on the understanding that the Trader must execute it immediately.

#### **FIFTEEN. REASONS FOR REJECTION OF TRADES.**

The Client acknowledges and accepts that the transaction registry process and the procedures and reasons for rejecting transactions are established in the Clearinghouse Operating Manual, and that these shall therefore be accepted as if they were reproduced herein.

The Client agrees that even after a trade is performed, if it is not confirmed by the Clearinghouse for reasons attributable to the Trader, the Trader shall not be liable for any damages and losses that may arise.

#### **SIXTEEN. EXECUTION ERRORS.**

The Trader acknowledges and accepts that it will assume total liability for any errors committed in trading, and will pay any amount applicable under the terms of the Exchange Regulations from its own accounts.

If a Trader makes an error in executing an order by a Client, it must correct according the Regulations of the Exchange.

Under any of the circumstances described in the Regulations Exchange, the Trader must compensate the Client for the difference between the price at which the trade was assigned and the price at which it was assigned, through the Clearing Member. In such cases, the Clearing Member shall indicate the corresponding payment in the account statement as a payment of differences resulting from error.

#### **SEVENTEEN. ERRORS ATTRIBUTABLE TO THE TRADER.**

The Client acknowledges and accepts that the Clearing Member shall be responsible for making the necessary changes with the Clearinghouse and when necessary, with the Exchange, provide that the Trader notifies the Clearing Member promptly of any errors in the entry of trades resulting from either of the circumstances described in the Clearinghouse Operating Manual.

In the event that the Trader does not promptly notify the Clearing Member, the former acknowledges and accepts that it shall assume full liability for errors made in the performance, confirmation and assignment of trades, and shall cover out of its own accounts any amounts due in the form of Margins, fees, expenses, rates, commissions, disciplinary measures and any other amount arising from that error.

#### **EIGHTEEN. AUTHORIZATION TO SUPPLY INFORMATION.**

The Client hereby expressly authorizes the Trader to supply information on the transactions it performs for them, and on the positions they maintain in the market, to the Clearinghouse, the Exchange, the supervisory and financial regulatory authorities of other

countries through the Authorities, and to Clearing Members in the case of default on Contracts, of cession of a Clearing Member's Open Contracts on the orders of the Clearinghouse, or under any other circumstances authorized by the National Banking and Securities Commission.

Furthermore, the Client authorizes the Trader to supply any information needed by external auditors and third parties that supply services regarding the MexDer account systems and account and risk management systems, in order to perform those services.

Consequently, the Client shall not hold the Trader liable for the exercise of the rights established in this clause, and shall have no cause for action against the Traders and its service suppliers, including the representatives, officers and employees of each of these.

Similarly, each Party authorizes the other Party (if it is a financial institution) to disclose information pertaining to the transactions, to: (i) parties to which it is obliged to supply information under the Credit Institutions Law, the Securities Market Act, and other applicable provisions; (ii) credit research agencies referred to in the Law to Regulate Credit Research Agencies; (iii) the regulatory authorities that govern the Party and its Affiliates; (iv) Banco de Mexico; and (vi) any other institution or party that may require information in order to perform the Transactions. The parties also expressly authorize Banco de Mexico to disclose that information in accordance with the applicable legal provisions.

Either party may at any time request in writing that the other Party inform it of third parties to whom it has supplied information regarding the first Party, or the Transactions it performs with that Party.

Neither Party shall be responsible for the way in which third parties make use of the information so provided.

#### **NINETEEN. SPECIAL HEDGE POSITIONS**

If a Client wishes to create a special hedge position, it must abide by the terms of Clause Nineteen of the Adhesion Agreement, on the understanding that the information requirements necessary to accredit a special hedge position may be requested through the Trader, which is obliged to take the necessary steps on behalf of the client with the Clearing Member.

#### **TWENTY. RELEASE FROM LIABILITY.**

The Client hereby releases the Trader, Clearing Member, the Exchange and Clearing House, for liability in connection with any loss, damages, expense or cost that it may incur or suffer, or from any liability or claim brought against it as the result of the suspension or interruption of trading of Futures and/or Option Contracts, in the transmission of information, of any error attributable to the systems of the Exchange, Clearinghouse, service providers referred to in Clause Eighteen, above, the Trader, or the Clearing Member, provided they are not due to negligence, fraud or bad faith.

#### **TWENTY-ONE. NOTIFICATIONS.**

All notices and any other communication that must be sent to the Client shall be sent to the address indicated in the General Information Section of this contract. All notices and any other communications established in this contract that must be transmitted to the trader must be sent to the following address:

**Bosques de Ciruelos # 120  
Bosques de las Lomas  
11700 México, D.F.  
Attn: Lic. Héctor Guillermo Camou Hernández**

Unless the parties notify each other in writing of a change of address or fax number at least 10 (ten) business days in advance, all notifications and other legal and extra-legal procedures made at the addresses and fax numbers indicated in this contract shall have full legal effect.

#### **TWENTY-TWO. TERMINATION.**

Failure of any of the parties to comply with any of the obligations derived from this contract, or failure by the Client to comply with the obligations established in the Adhesion Agreement shall give the other party the right to terminate this Contract with no further responsibility and without legal statements, by merely notifying the non-complying party of the termination in writing. Once the notification referred to in this clause has been made, nor more Futures or Option Contracts may be traded except for the purpose of performing contrary trades to close positions, and their terms shall prevail until the total settlement of the transactions performed under this Contract. The above notwithstanding, all payment obligations shall remain current until they are fully covered, without prejudice to the content of Clause Thirteen of this contract.

#### **TWENTY-THREE. DURATION.**

This contract shall remain in effect for an indefinite period of time, although the parties may terminate it at any time by notifying the other party in writing 10 (ten) Business Days in advance. From this date on, nor more Futures or Option Contracts may be traded except for the purpose of performing contrary trades to close positions, and their terms shall prevail until the total settlement of the transactions performed under this contract.



**TWENTY-FOUR. MODIFICATIONS.**

In the event of modifications to this contract, the Trader shall send the Client a modifying agreement to the latest address on record, with return receipt. The Client may object to the terms of the agreement within two days, on the understanding that any act or instruction made by the Client in accordance with the terms of the modifying agreement during that term shall be understood as an acceptance of those terms and shall have full legal effect.

**TWENTY-FIVE. MEANS OF PROOF.**

The original camera negatives obtained by the microfilming system, and the images taped on optical disk systems or by any other medium authorized by the National Banking and Securities Commission, as well as the printouts obtained from those systems, duly certified by an authorized officer of the Trader, shall have the same probative value in legal proceedings as the books, records and microfilmed records, recorded on optical disk or preserved by any other authorized medium.

**TWENTY-SIX. REMUNERATION.**

The Client must pay the fees, commissions, and other expenses generated in connection with the performance of transactions under the terms of this Contract, which shall be notified by the Trader upon signing this contract and which shall be collected by the Clearing Member in accordance with Clause Twenty-eight of the Adhesion Agreement.

**TWENTY-SEVEN. JURISDICTION AND COMPETENCE.**

For the interpretation, compliance and legal enforceability of this Contract, the parties agree to abide by the Rules, Provisions, Exchange Regulations, Clearinghouse Regulations, Exchange operating Manual and Clearinghouse Operating Manual, as well as by the applicable laws and competent courts of Mexico City, the Federal District, and waive their right to take legal action under any other jurisdiction that may be available to them by virtue of their present or future domiciles.

The above notwithstanding, the parties may agree to conciliatory procedures and, when applicable, arbitration proceedings, under the terms of the Exchange Regulations.

This contract is signed in Mexico City, the Federal District, on \_\_\_\_\_, 200 \_\_, with each party retaining a copy of the contract.

**For the Trader**

**For the Client**

\_\_\_\_\_  
**H. Guillermo Camou Hernández**

\_\_\_\_\_

**ATTACHMENT 1**  
**General Description of the Order Receipt and Trade Assignment of the Inverlat Clearing Member (Sinlat)**

**Services and Systems**

In order to maintain the highest standard of service, Inverlat's clearing member institution offers trading members and their clients access to a system developed in-house called SINLAT, through which they can place orders and assign trades, manage accounts, generate reports and settle positions, among other functions. In addition, in support of clients, it also offers consulting services in the areas of risk, financial engineering and systems, at no additional cost, and respecting the existing relationship between clearing members and their clients at all times.

The flexible credit policy adopted by Inverlat's clearing member institution allows a client that has deposited its margins for trading futures and options contracts to perform trades on the same day the brokerage contract it signed. When requesting lines of credit for margins, a maximum of one week is required. Table 2 contains a general listing of the modules offered in the SINLAT system.

**Table 2. SINLAT Modules for Clearing Members**

Screen	Functions
Client update	Control information on each client, its trading limits, and its relationship with the clearing member
Movements of cash and securities	Look up cash and securities account balances contributed as margins. Record deposits and withdrawals from this account, and debits or credits the checking or multitrans account against the clearing member's account
Price report and lookup	Allows account executive to find latest prices traded on the floor
Order input	Records and shows transactions performed, shows the status of orders and conditions on which it was established
Order request and confirmation	Automatically receives orders input by account executives, allows authorization of orders to be executed on the floor and changes their status. If necessary, allows for manual cancellation and confirmation of orders.
Assignment report and lookup	Shows trades performed on the trading floor and the results of automatic Assignment
Order lookup and report	Shows orders from the clearing member based on negotiation date, and if assigned, shows the price, trade number, whether it was opening or closing position, and the unified account number
Position lookup and report	Shows open positions a client maintains with a clearing member; also indicates the valuation of positions based on the last market price and allows prices to be input for valuation assumptions
Position file generation	Allows users onscreen lookup of information on all the open positions of a clearing member and all its clients; can also create an Excel file with this information
Transaction file generation	Allows users onscreen lookup of information on all the transactions by a clearing member and all its clients on a given date; can also create an Excel file with this information
Balance lookup and report	Shows information on the clearing member based on the largest accounts
Payment and charges lookup and report	Shows margin requirements or withdrawals from clients' excess margins
Position risk	Shows the open positions of a client and its risk exposure according to Inverlat Parameters

The SINLAT system functions as follows:

### ***Automatic Order Flow Process***

Orders are input by the salesperson of the trading member in Inverlat's routing system  
The system validates the client's trading limits and verifies that they have the funds necessary to perform the transaction  
Orders are routed automatically to the trading floor at the booth corresponding to each trading member

### ***Automatic Trade Assignment***

Once the trades are input from the floor, they are automatically assigned by the Inverlat system.  
With the results of the assignment, the clearing member confirms the information to ASIGNA through the exchange's SIVA-Futuros system.

### ***Account Management System***

A system developed by Grupo Financiero Inverlat for trading on the Mexican derivatives market (MexDer).  
State-of-the-art technology  
Graphic, user-friendly interface  
Flexible, adaptable solution

### ***Lookup and Report Screens***

Information on daily activity  
Trading limits  
Total gains and losses by client  
Positions by client and trading member  
Lookup of cash and securities balances by client  
Lookup of margin calls  
Lookup of excess margins

### ***Automatic End-of-Day Process***

Position valuation  
Margin requirement calculation  
Valuation of collateral

### ***Commission Calculation Process***

Calculates commission to be paid to trading members  
Calculates commissions to be paid to ASIGNA  
Calculates commissions to be paid to Inverlat

Clearing members may access the system's services from their own offices, through one of two connectivity options:

### ***Modem Connection***

Using a computer modem  
Normal dial-up connection  
Cost is only the use of the line  
System response is not rapid

### ***Connection with DSL***

Using communications equipment at the Trader end and at Scotiabank Inverlat  
Acquisition of a dedicated service line, at a cost of US\$3,500.00  
Allows various machines to connect from the network of the clearing member  
Vary rapid system response

**Hardware Requirements:**

- Pentium II or higher computer, minimum 400 MHz, CD-ROM, 128 MB of RAM memory and minimum space of 200 MB on hard disk
- 56 KBPS modem
- Telephone line

**Software Requirements:**

- Windows 95 SL or higher (NOT Windows XP).

**Note:** We suggest the equipment be dedicated to the SINLAT application and not be used simultaneously in an internal network.

**ATTACHMENT 2**

**TRADING MEMBER CORPORATE INFORMATION**

**INCORPORATION**

**Scotia Inverlat Derivados S.A. de C.V.**, a subsidiary of Scotiabank Inverlat, S.A. and Scotia Inverlat Casa de Bolsa, S.A. de C.V. was founded on March 20, 1999. The company's basic data can be found in public document number 20,537, Volume 476.

The notary who registered the company is number 195 of Mexico City, the Federal District, located at Nuevo León 34, Colonia Hipódromo Condesa, postal code 06170, Mexico City.

Scotia Inverlat Derivados, S.A. de C.V. is located at Bosque de Ciruelos 120, Floor 11, Colonia Bosques de las Lomas, in México City.

**COMPOSITION OF THE SUBSIDIARY'S CAPITAL**

The subsidiary's capital consists of investment by Scotia Inverlat Casa de Bolsa, S.A de C.V. and by Scotiabank Inverlat, S.A. It is therefore permitted to engage in transactions involving all types of contracts (rule 9 of the rules of the Mexican Derivatives Market, published on December 31, 1996).

Scotiabank Inverlat S.A. contributed 51% of the subsidiary's capital, and the brokerage firm (Scotia Inverlat Casa de Bolsa contributed 49%.

Because the subsidiary is made up of the bank's equity, its investments are subject to the Credit Institutions Law (articles 55, 75, 88 and 89), which, even with the restrictions mentioned in that Law, allow the bank to participate in the creation of this subsidiary. Its minimum equity must be equivalent to 100,000 Mexican Investment Units (UDIs), but for the purposes of incorporation, the minimum capital must be stated in pesos (because of a lack of intrinsic value of the UDI) and updated daily according to the change in the value of the UDI. The minimum capital stock recorded in the deed of incorporation must therefore be the value of the UDI on the date of incorporation, multiplied by one, plus at least projected inflation for one year or for whatever period of time has been established for the revision of the capital stock, for its modification.

**SHARES OWNED BY THE SUBSIDIARY**

Grupo Financiero Scotiabank Inverlat owns one share in the Mexican Derivatives Market.

**NAME**

**SIGNATURE**

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\_\_\_\_\_

"This agreement is signed in both Spanish and English (for information purposes).  
However the Spanish version will prevail in all cases".

## ATTACHMENT 2A

### INFORMATION ABOUT PROVISIONS AND FUTURES CONTRACTS

#### Futures and Options Market

##### Background

Derivatives are financial instruments whose value depends on the value of one or more other basic variables called underlying assets or values. The most prevalent derivative instruments are futures contracts, option contracts, and swaps.

As defined by current regulations, futures are contracts whose term, amount, quantity, quality, and other features are standardized. They allow the user to buy or sell an underlying asset at a certain price, to be settled at a future date. Options are standardized contracts in which the buyer pays a premium in return for the right, but not the obligation, to buy (in call options) or sell (in put options) an underlying asset at an agreed-upon price (called the strike price) at a future date, and the seller of the option is obliged to sell or buy the underlying, as the case may be, at the agreed-upon price.

Futures and options may be standardized, in which case they are generally traded in a physical venue or exchange, or made to order, with no specific expiration date, size or quality, in which case they are generally traded off the market or over the counter. Those who participate in these markets can be arbitrageurs, speculators, or risk hedgers, and they may take either buy positions (long) or sell positions (short).

The origins of the futures market go back to the Middle Ages. Futures were born out the need to meet the demands of farmers and tradesman. If a farmer began planting wheat in January, with the idea of harvesting it in June, he needed to be certain of the price he could sell his wheat in June. In years of scarcity, the price of wheat was likely to remain high, while in years of abundance the wheat was likely to be sold at lower prices. Under this scenario, the farmer took on a risk in setting the price at which he would sell his wheat. This is what gave rise to futures contracts.

The first options contracts were seen in Europe and the United States in the 18<sup>th</sup> century, although they had a rather shady reputation at first because of certain fraudulent practices such as giving brokers options on the shares of certain companies to encourage them to recommend buying the stocks to their clients.

Although initially, both types of contract were traded over the counter, problems of default on quality, delivery dates and amounts were rife, requiring a standardization of contracts and the creation of the first clearinghouses. These clearinghouses began to act as counterparty for all transactions, ensuring delivery and payment of the products by charging a premium to buyers until the transaction was final, and collecting a guarantee from sellers on their sales. Thus, many times the seller could in turn transfer the delivery rights to another farmer. In other words, he could trade the contract before its expiration. Similarly, the buyer could trade their purchase rights with another participant. The seller could be sure he would receive a certain amount of money in the future for his wheat, and the buyer could be sure of obtaining a certain amount of wheat at a certain price in the future.

As technology progressed, futures and options contracts became very popular, and numerous venues (exchanges) began to open around the world, listing a wide variety of underlying assets: perishable goods, metals, interest rates, foreign currency, stocks, indices, etc. The market for exchange-listed options and futures has been highly successful. One reason is that they offer the industry ways of hedging the risks to which they are exposed each day in a flexible, relatively cheap and highly secure way.

Starting in the 1970s, the market for exchange-listed futures and options based on interest rates, foreign currency and indices began to grow. By 1995, annual trading volume on the different world derivatives market reached 327 trillion dollars.

## **Structure and Risk**

In general, exchange-listed derivatives markets have four components: the exchange itself, the clearinghouse, the clearinghouse's clearing members, and the exchange traders. This structure may vary, however, according to specific legal restrictions and climates for each jurisdiction.

Generally, the exchanges and clearinghouses are incorporated as limited-liability stock corporations (sociedades anónimas). Clearinghouses may be operating divisions of the exchanges themselves, subsidiaries, or independent legal entities. The members or owners of the exchanges and clearinghouses may be equity or trading members; the latter can specialize in a variety of categories. Both must meet statutory requirements and other requisites in terms of registry, ethics, and capital, among others.

The owners of the exchange are its own members, and these may be financial brokers, companies, or individuals, since sometimes exchanges are considered public domain. The owners of clearinghouses are usually partners or members of one or more exchanges, and they can also be brokers, corporations, or individuals.

In Mexico, to manage risk, participating institutions must obtain authorization from the financial authorities and the derivatives exchange (MexDer), as a self-regulatory agency, to begin trading. They must meet capital requirements, have robust risk management systems, and commit to the technical and ethical training of its executives; they must have appropriate systems for trading and for the transfer and handling of margins, a safety net for trading, and procedures to cover situations of client default.

Futures prices can fluctuate substantially. Since the participant deposits only the initial margin (plus a variation margin), which is a percentage of the value of the position, a futures contract is a highly leveraged transaction, and participants can lose up to all of their original margin, and may be required to deposit additional margin, which may even be greater than the initial margin.

Fluctuations in future prices can be caused not only by changes in the price of the underlying but also by exchange-rate fluctuations, excess supply or demand, or other reasons.

Any client who wishes to participate in the futures market should be aware of the risks that it entails, and should understand the mechanics of futures trading.

## **The Case of Mexico**

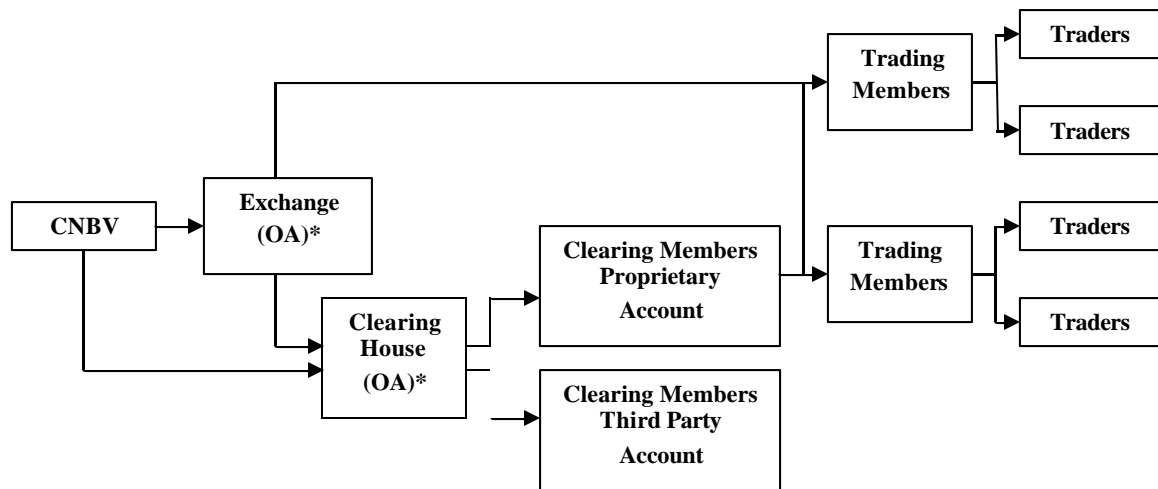
There are already a wide variety of instruments available in Mexico to distribute risk: forward contracts, options, and swaps traded over the counter on a number of underlying assets, through brokers authorized by Banco de Mexico; warrants on indices, stocks, and baskets of stocks listed in the National Registry of Securities and Intermediaries, and issued by companies that meet requirements established by the national Banking and Securities Commission (CNBV) and traded by brokers on the Mexican Stock Exchange (BMV). In Chicago, Mexican brokers authorized by Banco de Mexico trade futures and options on the peso, the Mexican Stock Exchange's IPC Index, Federal Treasury Certificates (CETEs), the Interbank Equilibrium Interest Rate (TIIE) and Brady Bonds.

In contrast to over-the-counter markets, derivatives exchanges reduce and standardize credit risk through the existence of a clearinghouse, and make price formation more efficient because some of these enjoy greater liquidity and release available information on a continuous basis. MexDer may be more attractive than the foreign exchanges where Mexican underlying assets are listed because it can reduce the transaction cost of trading in local currencies. In addition, the size of the contracts was designed according to the size of the industry, physical delivery of non-financial underlying assets is permitted, and the market contributes to the growth of parallel industries.

Market supervision and oversight is based on a self-regulatory scheme (see figure 3). According to this scheme, the exchange supervises and monitors trading activity on the trading floor and in the clearinghouse. The clearinghouse supervises and monitors its clearing members; clearing members supervise trading members; and finally, the CNBV regulates, supervises and monitors primarily the exchange and the clearinghouse, though it may also exercise oversight in the rest of the market, if necessary.

Figure 3. Self-regulatory Process.

We had to re-draw this chart to correct it – please double-check



\* Self-Regulated Organization

### Calculation of Futures Prices

Although the price of a futures contract is determined by supply and demand on the Exchange, it is also affected by other financial variables. The variables that most affect the price of the future are the price of the underlying asset, the interest rate, and the carry cost (time and storage costs).

So the price of a dollar future depends on the price of the dollar, interest rates in pesos and dollars, and time. Similarly, the price of a wheat future depends on the price of wheat, interest rates and the cost of storing the wheat.

To illustrate how to determine the price of the dollar future, let us assume we want to know at what future price we can buy dollars when the spot price ( $S_t$ ) is 9 pesos per dollar, the interest rate in pesos ( $R_{mex}$ ) is 20%, and the interest rate in dollars ( $R_{us}$ ) is 9%.

In general, the formula for calculating the price of a futures contract on the dollar is:

$$\text{Future Price} = S_t * \frac{(1 + ((R_{mex}/360)*t))}{(1 + ((R_{us}/360)*1))}$$

If the time is 6 months ( $t = 180$ ), the future price ( $F$ ) of a dollar would be 13.78 pesos.



The price of the spot dollar, and interest rates both in Mexico and the United States are constantly changing, and this is what forms futures prices. Section 5 shows the terms and conditions of contracts traded on MexDer.

**Examples with Futures Contracts**

The following describes the example of a Mexican company that wants to cover an exchange risk on its accounts receivable and accounts payable using futures contracts on the Chicago Mercantile Exchange (CME) and on the MexDer.

<b>STRATEGY FOR HEDGING LIABILITIES WITH FUTURES</b>	
<p>If a Mexican company has a liability in dollars that must be settled in the future, it can hedge the exchange risk (the devaluation of the Mexican peso against the U.S. dollar) as follows:</p> <p>I: With a short hedge: Taking up a short position in futures contracts on the Mexican peso, on the CME.</p> <p>II. With a long hedge: Taking up a long position in futures contracts on the U.S. dollar on MexDer.</p> <p>If the peso loses ground against the dollar, the company will owe more pesos for each dollar of its debt, but it will also gain the difference in its future contract positions.</p>	<p>The top graph, labeled 'Short Position', shows a downward-sloping line representing the price of a liability in dollars. A horizontal line represents the price of a futures contract. A vertical line marks the price at \$0.1515, and a horizontal line from this point to the downward-sloping line indicates a gain of \$0.1538.</p> <p>The bottom graph, labeled 'Long Position', shows an upward-sloping line representing the price of a liability in pesos. A horizontal line represents the price of a futures contract. A vertical line marks the price at N\$6.5, and a horizontal line from this point to the upward-sloping line indicates a gain of N\$6.6.</p>

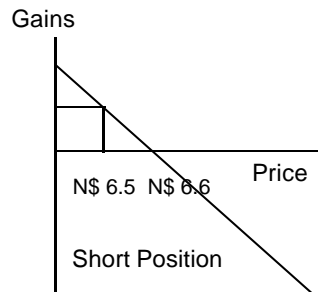
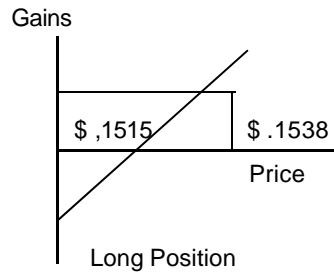
**STRATEGY FOR HEDGING ACCOUNTS RECEIVABLE WITH FUTURES**

If a Mexican company has an account receivable in foreign currency (e.g., U.S. dollars) that will be paid in the future, it can hedge the exchange risk (the appreciation of the Mexican peso against the U.S. dollar) as follows:

I: With a long hedge:  
Taking up a long position in futures contracts on the Mexican peso, on the CME.

II. With a short hedge:  
Taking up a short position in futures contracts on the U.S. dollar on MexDer.

If the peso firms against the dollar, the company will collect less pesos for each dollar owed it, but it will also gain the difference in its future contract positions.



Another key participant in the derivatives markets is the speculator. The following shows an example of a Mexican investor who wants to speculate between the dollar and the peso using futures contracts on MexDer.

Let us assume a speculator in Mexico thinks that the general index of the Mexican Stock Exchange—the Price and Quotations Index (IPC)—will rise in the next two months, and is therefore ready to take up a position as an investment. One alternative would be to buy all of the stocks that make up the IPC and sell them later. If the price of the stocks rises over the next two months, the speculator can make a profit by selling them, but if the price drops, the result would be a loss. Another possibility would be to establish a long position in futures contracts on the IPC, on MexDer.

What is the difference between the two alternatives? To buy all the shares that make up the IPC, the speculator would have to pay the total price of all those shares; buying and IPC future on MexDer would only require the payment of a small proportion—about 5% of the cost of the shares. In effect, the futures market allows speculators to benefit from a leverage effect. With a relatively small initial outlay, the speculator can take up a sizeable position.

The difference between the speculator and the hedger is that the speculator simply waits for prices to move in its favor to turn a profit; a participant who hedges risk is only protecting itself against fluctuations in the price of an underlying asset that it owns, will own, or owes to another party, using derivatives.

**NAME**

**SIGNATURE**

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