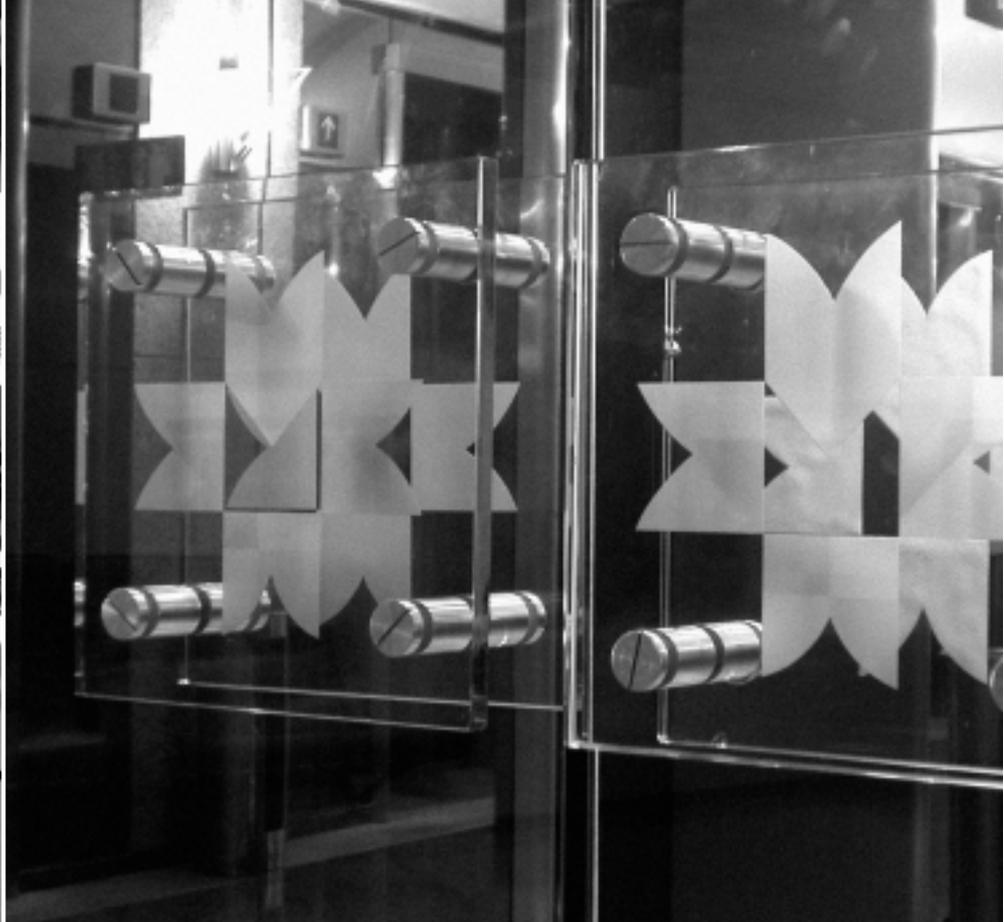




Completing the markets

GRUPO BMV



▮ Mission

The companies that make up Grupo BMV are engaged in a variety of activities, integrated in a complementary manner. They are all a fundamental part of the operation and development of the securities market in Mexico, supporting its many participants—issuing companies, intermediaries and savers—to attain their goals.

Grupo BMV functions on three fundamental conditions: transparency, efficiency, and solidity. These contribute to the pursuit of our central purposes, while maximizing the value of the Group.

▮ Vision

To modernize and continually strengthen the companies of Grupo BMV so that they are competitive and offer the best services and products in their field; that they are well-integrated and manage their resources efficiently, encouraging the creation of value and fostering confidence.

The strategic axes of this modernization and fortification of our companies are aimed:

- **To the market.** Establishing conditions to encourage a growing volume of transactions in a broad range of instruments, taking advantage of all the opportunities offered by opening and globalization, and the convergence of our trading processes with those of leading international markets.
- **To the group.** Through certification of critical processes and the articulation of synergies on the operating side, and sales and marketing on the strategic side.
- **At strategic partners.** Through alliances that maximize our capacity to work with clients abroad and allow for a stronger presence in fast-growing areas of the market inside and outside of Mexico.
- **To public opinion.** To build confidence and preserve the reputation of securities market institutions through a more effective relationship with the media and a closer communication with university and sources of analysis.



Bolsa Mexicana de Valores

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S.D. Indeval

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offering diverse

products and services



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Message from the Chairman of the Board of Grupo BMV

We prepared a strategic map of Grupo BMV in 2003, in order to modernize lines of action for the Mexican Stock Exchange and its subsidiaries and affiliates. This included the precise definition of the vision and axes of action, in addition to projects that each company would carry out and an analysis of the synergies found between them. Our objectives were as follows:

- To ensure that the companies that make up Grupo BMV work together to strengthen their role in the development of the Mexican securities market, in support of issuing companies, brokers, and savers, and in pursuit of their objectives.
- To complete the financial markets by perfecting and innovating products and services that meet participants' needs.
- To build up the Exchange's public image in terms of strength and confidence.
- To leverage the position of our market in both North and South America.

The vision contained in our strategic map of Grupo BMV focuses on four axes of action: **(a)** Market development; **(b)** Institutional strength; **(c)** Strategic alliances; and

(d) Building confidence.

In the sphere of development, given Grupo BMV's role as a catalyst for transactions between participants, our efforts were oriented toward creating new markets and attracting operations that are at present conducted outside of Mexico. To do so, the following specific measures were identified: **(i)** drafting a regulatory agenda with the priority of completing the markets; **(ii)** Developing trading schemes that would encourage greater liquidity and depth; and **(iii)** introducing new services and schemes to facilitate transactions in areas where the opportunity is greatest.

The basic axis of institutional strength consists essentially of identifying and taking advantage of synergies between the companies of the Group, while developing and promoting the human factor within the organization. The concrete actions taken in 2003 were: **(i)** establishing a new model for systems that would enhance quality and productivity; **(ii)** a marketing concept for brand development and coordination of sales efforts; **(iii)** a methodology for identifying and taking advantage of synergies that result from the development of new business areas; and **(iv)** a comprehensive re-formulation of the information merchandising business.

In the area of strategic alliances,

the third of our axes of action, we continued our search for alliances or associations with foreign companies or exchanges in order to: **(i)** develop new businesses in Mexico and abroad (North and South America); **(ii)** support the launch of new products; and **(iii)** guarantee cutting-edge technology.

As to confidence-building, Grupo BMV has made an effort to bolster its institutional presence in the Mexican and international media, encouraging closer contact with universities and research centers, and it has actively participated in national and international forums and federations. All of this in order to bring benefits to the group and encourage greater awareness and knowledge of the securities market in general.

In this context, with the fundamental support of Mexico's financial groups, banks, and brokerage firms, which play key roles in financial and market activities, Grupo BMV presents the results of its efforts in fiscal year 2003. Clearly, its strategy has been aimed at completing the markets with innovative products and services that meet the concrete needs of issuers, brokers and investors, while contribution to the differentiation and competitiveness of the financial industry.

Suffice it to mention a few specific examples: the launch of the

The vision contained in the strategic map of Grupo BMV focuses on four axes of action:

- a) Market development**
- b) Institutional strenght**
- c) Strategic alliances**
- d) Building confidence**

BMV Global Market within the Mexican Stock Exchange, the significant progress made in work to start trading in Options Contracts on MexDer (the derivatives exchange) in 2004, and their clearing and settlement through Asigna; new trading texts and products at SIF Garban , and additional services being offered by Valmer in terms of indices, prices and risks. Equally important within Grupo BMV is the authorization received at the end of the year to create a new central counterparty called Contraparte Central de Valores de México, S.A. de C.V. The startup of this institution represents the fruit of various years' effort by the group, and will contribute to greater security and modernity in trading on the Mexican capital markets.

The year 2003 was full of institutional activity, effort and satisfaction. The decisive support of our shareholders, board members, committee members, directors and the personnel of all the companies of Grupo BMV made this possible. To all of them, I extend my thanks for their commitment, and for their day to day contribution to making the growth of the Mexican Stock Exchange, its subsidiaries and affiliates, a reality.

Guillermo Prieto Treviño

▶ Grupo BMV Corporate Management

Company

Bolsa Mexicana de Valores, S.A. de C.V.
S.D. INDEVAL, S.A. de C.V.,
Institución para el Depósito de Valores
MEXDER, Mercado Mexicano de Derivados, S.A. de C.V.
ASIGNA, Compensación y Liquidación
SIF GARBAN Intercapital México, S.A. de C.V.
Valuación Operativa y Referencias de Mercado, S.A. de C.V.
BURSATEC, S.A. de C.V.

Chief Executive Officer

Pedro M. Zorrilla Velasco
Gerardo Mejía Moreno
Jorge P. Alegría Formoso
Jaime Díaz Tinoco
Rodolfo Sánchez-Arriola Luna
Gerardo Gamboa Ortiz
Carlos Ramírez Cervera

Group Corporate Management

Administration
Auditing
Strategy & Development
Legal Affairs
Human Resources

Director

Marco Antonio Hernández Jiménez
Aída S. Andrade Ancira
Alejandro Reynoso del Valle
Hugo A. Contreras Pliego
Jorge Rovalo Merino



Bolsa Mexicana de Valores

■ Mission

The Mexican Stock Exchange (Bolsa Mexicana de Valores, or BMV), supplies the technology, systems and self-regulatory legal framework under which the Mexican securities market operates. Its actions focus mainly on the listing, negotiation and registry of stocks, participation certificates, debt instruments and warrants. The infrastructure supplied by the Bolsa allows for daily trading in these securities and ensures transparency, efficiency and security for each transaction. It also allows investors, issuers, and brokerage firms to come together in an organized market and a highly competitive trading scheme.

■ Vision

To maintain conditions of efficiency and trust, so that securities-market financing can best benefit the companies and productive activities of Mexico, and so that investors, both individual and institutional, can make investment decisions and perform their transactions.

The Mexican Stock Exchange is at the service of society. It offers a modern infrastructure so the market can function in an orderly and fair manner for all participants, in an atmosphere of transparency and institutional solidity. In addition, it is continually increasing the array of mechanisms and alternatives so that more investors and companies, regardless of their size, can take advantage of an efficient electronic market and a wide range of competitive and attractive instruments.

Developing the Mexican securities market is a crucial endeavor in this time of financial market globalization and international opening for the Mexican economy. There have also been extensive internal reforms that stress the importance of building up the nation's savings, especially retirement savings, and encouraging investment in collective investment mechanisms like mutual funds.



Message from the Chief Executive Officer

Last year was a good one for the activities of the Mexican Stock Exchange and the evolution of the financial markets. Progress was made in three main areas:

1. Development of a complete market.
2. Building an efficient, safe and competitive electronic trading climate
3. The growth of the market in terms of yield, volume and value traded, and its capacity to meet the growing need for savings and financing, both in quantity and in the variety of instruments.

The first quarter of the year was marked by uncertainty and volatility in the financial markets, closely related to a difficult climate abroad. International conflicts and the threat of terrorism joined the lingering malaise of international economic sluggishness—particularly in the United States— and doubts about the reliability of financial accounting information, both of them dating back to 2002.

In the second quarter, however, we saw a clear improvement in the world's capital markets, allowing the Mexican market to capture the benefits of a local economic and financial climate that has favored its development in recent years. Stock

market financing has become more attractive, and its makeup is changing, as savers and investors seek more options for diversifying and maximizing yield, and local institutional investment from pension funds and mutual funds becomes more important in the system.

This year, the Mexican Stock Exchange Price and Quotations Index (IPC) generated a yield of 43.55% in peso terms and 31.75% in dollars, accompanied by a significant comeback in trading activity on the stock market.

The increased activity in this segment last year allowed for: **(i)** the mixed initial public offering of stock in the housing builder SARE Holding, S.A. de C.V., the first transaction of this type since 2000; **(ii)** a global public offering by Cemex; and **(iii)** the second offering of stock-referenced certificates, known as TRACs, issued by Nacional Financiera, increasing the outstanding amount of these instruments which replicate the BMV's IPC index.

In 2003, the fixed-income market also continued to grow stronger. The market saw a growing variety of issuers, as well as innovations in structured trades and in takers'

capacity to assimilate them.

Thirteen new companies in the private sector joined the market last year, along with 6 state and municipal governments; non-bank banks in the automobile, mortgage and consumer sectors maintained their presence; and for the first time public-sector entities like Petróleos Mexicanos, the Federal Electricity commission, the Federal Mortgage Society and the Workers' Fund for Promotion and Guarantees, funded their activities and balanced their annual financing programs locally, instead of on foreign markets, as before.

The industry also made progress in designing issue schemes. A number of securitization programs were launched during the past year, including the realization of highway toll flows, consumer credits, housing developers' bridge loans, water fees and federal funding to states and municipalities. In addition, the first two mortgage securitization programs were launched, opening a new market with a great deal of potential, which can help increase mortgage lending in the financial system.

One of the strategic lines of development for the market that the Exchange began to pursue in 2003



One of the strategic lines of development for the market that the Exchange began to pursue in 2003 was “completing markets” at the domestic level, in order to better serve the growing needs of investors and issuers.

was “completing markets” at the domestic level, in order to better serve the growing needs of investors and issuers. This institution has encouraged a vision of strengthening the market’s domestic base, by ensuring the broad and consistent availability of market instruments and mechanisms, taking advantage of the opening of the Mexican economy and the considerable exposure of our financial markets to globalization.

In mind of these factors, in 2003 the Mexican Stock Exchange launched a new market “Mercado Global BMV” (BMV Global Market), in which Mexican investors, both retail and institutional, can buy and sell stock certificates issued by prestigious companies listed on recognized foreign markets, here in Mexico.

Under this scheme, at the end of May, 29 U.S. stocks from the Dow Jones Industrial Average were incorporated into the Global Market and on November 25 and 26, 48

European shares from the Euro Stoxx 50 index (also published by Dow Jones) were added. With the inclusion of these international securities on the BMV, new mutual funds have been created, promoting the development of the fund industry and creating novel instruments and alternatives for diversification among small and mid-sized local investors.

In a similar endeavor, in November 2003 the BMV listed 13 bonds issued by the Mexican federal government in foreign currency, commonly known as United Mexican States, or UMS, bonds. To do so, we designed a new trading platform called BMV Sentra Global Deuda, which will also include foreign government and corporate bonds in the future.

As part of its duties of market supervision, and in strict compliance with its self-regulatory obligations and powers, the Exchange closely and regularly monitored the market and disclosure obligations for

securities market issuers. In 2003, our responsibilities in this area grew, with a new rule obliging trusts and companies that issue debt to disclose information, and with the creation of the BMV Global Market, regarding the monitoring of information from foreign companies.

This year we also incorporated other major regulatory changes, primarily those regarding securities issuers, to create more transparency in the market, build investor confidence and encourage their participation. Readers will recall that in March 2003, the National Banking and Securities Commission issued general provisions applicable to securities issuers and other securities market participants (Unified Issuers’ Bulletin).

With amendments to the Securities Market Act in 2001, the issue of the above-mentioned Unified Issuers’ Bulletin, and the recent changes in stock-market practices, the Exchange made substantial changes to its Internal

Board of Directors

Institutional Board Members

BOARD MEMBERS

Eduardo Carrillo Díaz
Carlos Gómez y Gómez
Jaime Guardiola Romojaró
Juan Guichard Michel
Carlos Levy Covarrubias
Rafael Mac Gregor Anciola
Manuel Medina Mora
Guillermo Prieto Treviño

ALTERNATES

José Ignacio de Abiega Pons
Héctor Lagos Dondé
Carlos Hank González
Javier Valadez Benítez
Gabriel Kuri Labarthe
Felipe de Yturbe Bernal
Carlos Gutiérrez Andreassen
Eduardo Valdés Acra

Independent Board Members

BOARD MEMBERS

María Asunción Aramburuzabala L.
Javier Beristain Iturbide
José Luis Gómez Pimienta
Mario Laborín Gómez
José Madariaga Lomelín
Alejandro Soberón Kuri
Joaquín Vargas Guajardo

ALTERNATES

Alfonso de Angoitia Noriega
Romeo Gutiérrez de la Garza
Cosme A. Torrado Martínez
José Luis Acuña Contreras
Andrés Aymes Blanchet
Rodrigo González Calvillo
José Vargas Santamarina

Chairman

Guillermo Prieto Treviño

Vice Chairman

Juan Guichard Michel

STATUTORY AUDITOR

Federico Valenzuela Ochoa

ALTERNATE AUDITOR

Carlos García Cardoso

SECRETARY

Hugo Contreras Pliego

SECRETARY PRO TEM

Clementina Ramírez de Arellano M.

Committees

Executive Committee

Function: Devises strategies for developing, promoting and disseminating information on the securities market.

MEMBERS:

Guillermo Prieto Treviño
(Chairman)
Carlos Gómez y Gómez
José Luis Gómez Pimienta
Juan Guichard Michel
José Madariaga Lomelín
Joaquín Vargas Guajardo

Compliance Committee

Function: Develops self-regulatory rules and acts as a consulting body.

MEMBERS:

Guillermo Prieto Treviño
(Chairman)
Alfredo Acevedo Rivas
Francisco Carrillo Gamboa
Efrén del Rosal Calzada
Samuel García-Cuéllar Santa Cruz
Thomas Mueller Gastell
Alberto Saavedra Olavarrieta

Disciplinary Committee

Function: Be informed of infractions against the Bolsa's internal regulations and impose any necessary disciplinary and corrective measures.

MEMBERS:

Fernando Borja Mújica
Miguel Estrada Sámano
Emilio Gutiérrez Moller
Ernesto Riveroll González
José Sáenz Viesca

Securities Listing Committee

Function: Rule on applications for listing securities on the Exchange.

MEMBERS:

Arturo D'Acosta Ruiz
(Chairman)
José Luis Acuña Contreras
Roberto Diez de Sollano Díaz
Salvi Folch Viadero
Marco Antonio Hernández Jiménez
Timothy Heyman
Guillermo Prieto Treviño
Pedro Zorrilla Velasco

Issuers Committee

Function: Represent companies whose stocks are listed in the BMV.

MEMBERS:

Claudio del Valle Cabello
(Chairman)
Includes representatives of 38 issuers and has three Vice Chairmen: fiscal, communication and promotion, and compliance.

Compensation Committee

Function: Establish guidelines and criteria for compensating the personnel employed by the companies of Grupo BMV.

MEMBERS:

Juan Guichard Michel
(Chairman)
Carlos Gómez y Gómez
José Madariaga Lomelín
Alex Olhovich Greene
Guillermo Prieto Treviño

Auditing Committee

Function: Coordinate activities for correctly evaluating risks on the Exchange and among its affiliates, with the participation of internal auditing, the involved areas, and, when necessary, external consultants.

MEMBERS:

Alberto Navarro Rodríguez
(Chairman)
José Luis Gómez Pimienta
Guillermo Prieto Treviño

■ The Securities Market in 2003

1. The Stock Market

1.1 Basic indicators

In 2003, a year in which investors returned to the international markets, including the Mexican market, the Price and Quotations Index, the leading indicator of stock prices listed on the Mexican Stock Exchange, grew 43.5% in peso terms and 31.7% in dollars, ending the year at 8,795.28 points.

From its lowest point of 5,763.87 points on February 12, the index gained 52.6% and 49.3% in peso and dollar terms, respectively.

Measured in dollars, the IPC ended the year at 782.78 points, still 15.62% lower than its highest of 927.73 points on February 8, 1994.

As of December 31 2003, the market cap of the Mexican stock market stood at 1.38 trillion pesos, 27.58% higher than at the close of the previous year. In proportion to GDP, this amounts to 21.59%, up from only 16.43% last year.

The average spread between buying and selling prices of the stock series included in the IPC index sample, was 61 centavos at the close of the year, 79.4% higher than the 2002 figure. It dropped to 13 centavos in September, however its general average was 25 centavos, slightly

higher than the 24 centavos observed in 2002.

The most active brokerage firms in the secondary market were: Accival, Bancomer, Banorte, GBM, Merrill, Santander and Scotiabank; which together made up 73% of the total value traded in the market.

During the year, 56.02% of market bids by brokerage firms were transmitted through the electronic broker computer-BMV central computer router (SETRIB), 25.17% through BMV SENTRA Captales terminals, and the remaining 18.81% through the Order Administrator system.

There were five public tender offerings made in 2003, totaling 1.414

The Price & Quotations Index, (IPC) grew 43.5% in peso terms and 31.7% in dollars, ending the year at 8,795.28 points.



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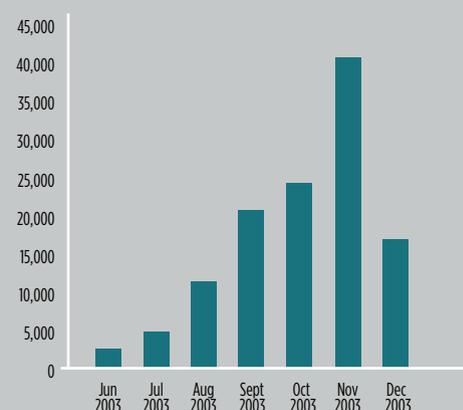
billion shares and 291 million pesos.

In the BMV Global Market, a new platform that we discuss at greater length later in this report, a total of 8,529 trades were performed during the year. Their value totaled 2.54 billion pesos, corresponding to 5.6 million shares, which comes out to a daily average trading volume of 40,000 shares with a value of 18.3 million pesos. As of December 31, 2003, S.D. Indeval had a total of 2,248,968 securities listed on this

market on deposit, worth more than 1.17 billion pesos.

In this market, thirteen brokerage firms traded on this market, particularly Bancomer and Santander, which together traded 87% of the total value of the market.

BMV Global Market
Daily Average Traded Volume



International Market Yields
(% dollar terms)



Market Capitalization (Million pesos)

	2003	2002	Change %
Market Capitalization	1,376,927	1,079,221	27.58
Market Cap/GDP	21.59%	16.43%	31.41

Daily Averages

	2003	2002	Change	Change %
Operations	3,791	4,378	(587)	(13.41)
Volume Traded	74,973,725	84,203,422	(9,229,697)	(10.96)
Value Traded	1,091,294,249	1,091,752,595	(458,346)	(0.04)

1.2 Listing of securities

In 2003, Sare Holding, S.A. de C.V. successfully floated a mixed initial public offering of 452 million pesos (24.8% of its capital), the first transaction of this type since 2000. Distribution was through a syndicate of 17 brokerage firms, to a total of 568 investors. Cemex also made a global public offering this year, worth a total of 7.63 billion pesos, of which 1.56 billion were placed in Mexico among 2,145 investors.

Toward year-end, Nacional Financiera, S.N.C. placed a second offering of TRACs, which had a value close to 2.47 billion pesos.

2. Fixed-Income market

2.1 Medium- and long-term placements

In the Mexican fixed-income market, last year offered further proof that securities-market financing has become a real and effective option in this country.

During the year, 99 medium- and long-term debt issues totaling 83.95 billion pesos were placed, 71.9% higher than in 2002.

The instrument most favored by issuers is the Securities Certificate (called CB on the local market) because of its adaptability and flexibility. The placements of this type of document, accounted for 45.2% of the total issued.

The most outstanding offerings in 2003 were:

Coca-Cola Femsa was the most active issuer of medium- and long-term CBs, placing 6 issues with a total value of 10 billion pesos.

Volkswagen de México entered the fixed-income market for the first

time, issuing 1.4 billion pesos in CBs, as part of a 5.5 billion pesos program.

Kimberly-Clark de México issued the first referenced listing and placement of CBs for 2 billion pesos.

Another firm, Centro Histórico de la Ciudad de México, S.A. de C.V., made an issue of convertible debentures totaling 420 million pesos at five years term, with the special characteristic that they are zero-coupon notes (without interest payment).

The market also saw the first securitization of mortgage portfolio (10,654 mortgages) through the issue of CBs by Sólida Administradora de Portafolios, S.A. de C.V., through Nafinsa, totaling 340 million pesos.

Hipotecaria Su Casita and GMAC Hipotecaria jointly floated in issue of CBs, securitizing mortgage portfolio through Banco J.P. Morgan, S.A. as an issuing trustee, totaling 596 million pesos in a program of 520 million investment units (UDIs)

In 2003, state and municipal governments raised 8.77 billion pesos in funds backed by various payment sources, as described below. This makes eight states and 6 municipalities that have made fixed-income offerings, for a total of 14.18 billion pesos.

State-owned enterprises were also active in the fixed-income market, as follows:

Entity	Amount Authorized	Amount Issued
Fonacot	1,000	500
CFE	8,000	6,000
PEMEX	20,000	6,500
SHF*	9,500	9,500
Total	38,500	22,500

* General Authorization
Million pesos

The Federal Mortgage Society was the first issuer to place detachable coupon instruments, lending greater flexibility to the investment portfolio by allowing the investing public to a better plan for its needs.

2.2 Short-term debt

The programs authorized for short-term issues rose by 11% over 2002, from 72.17 billion pesos to 80.10 billion pesos in 2003. The value of current short-term debt issues in 2003 was 71.62 billion pesos, rising 5.5% over 2002, from which the 75.2% was in commercial paper and the remaining 24.8% in short-term securities certificates.

The leading issuers of commercial paper were: America Movil Telecom, and Telmex; the top issuers of CBs were Cemex, Ford Credit de Mexico, and GMAC Mexicana.

On this market, the Federal Electricity Commission (CFE) issued a short-term securities certificates totaling 2.2 billion pesos.

Public Offerings

Company	Volume	Value (pesos)
Cemex	30,000,000	1,562,100,000.00
Sare Holding	75,722,109	452,060,990.73
Total	105,722,109	2,014,160,990.73
NAFTRAC	300,000,000	2,469,600,000.00

	2002		2003		%
	No.	Pesos	No.	Pesos	
Authorized lines of commercial paper	45	58,699	21	56,393	
Authorized lines of short-term CBs	16	13,470	31	23,709	
Total	61	72,169	52	80,102	11.0
Current issues of commercial paper	44	58,799	20	53,893	
Current issues of short-term securities certificates	11	9,120	26	17,729	
Total	55	67,919	46	71,622	5.5

* Million Pesos

Entity	Amount Issued	Payment Source
Municipality of Garza Garcia, N.L.	50	Federal Allocations
State of Mexico	615	Payroll Tax
Municipality OF Tlanepantla	96	Water Rights
State of Nuevo Leon	1,716	Payroll Tax
State of Veracruz	450	Payroll Tax
State of Hidalgo	1,200	Federal Allocations
Municipality of Aguascalientes	100	Federal Allocations
Government of Mexico City	2,500	Federal Allocations
Subtotal	6,727	
Participation Certificates		
State of Guerrero	1,339	Federal Allocations
State of Veracruz*	700	Toll Revenues
Total	8,766	

* Cardel-Veracruz Highway Project. Million pesos

Instrument	2002		2003	
	No.	Pesos	No.	Pesos
Debentures	2	1,903	1	420
Securities Certificates	13	17,187	16	43,322
CPO'S	3	2,309	1	1,500
TRAC'S	1	5,000	0	
Stock Listings	7		1	
Shelf Listings	1		2	
Total	27		21	

Million pesos

3. Exercise of Securities-Listing Faculties

The listing of securities on the Mexican Stock Exchange may be authorized by the Securities Listing Committee or by the Chief Executive Officer's Office, according to the powers the Board of Directors has given to each of these offices under certain conditions. In 2003, these faculties were exercised as follows:

3.1 Securities Listing Committee

The Securities Listing Committee received 21 applications during the year:

In the equity market, the applications were for one stock listing (Sare Holding) and two shelf listings (Home Mart Mexico and Corfuerte). Additionally, for informational purposes Cemex, S.A. de C.V. listed its secondary public offering, along with 3 public buying offers.

In the fixed-income market, the committee received 18 applications for medium and long-term debt issues, the same number as in 2002.

Structured securities certificates made up 94.4% of the total authorized amount, and the resources went to housing projects, highways, and state and municipal funding.

3.2 Chief Executive Officer's Office

In keeping with its faculties, the Chief Executive Officer's Office authorized 22 applications for the listing of mutual funds, including 2 retirement funds, 28 medium- and long-term fixed-income issues, and 52 short-term issues.

4. Warrants

In 2003, fourteen issues of warrants on the BMV's IPC index were placed totaling 868 million pesos, 40.7% more than the previous year.

5. Mutual Funds

Eighteen mutual funds were listed, with an authorized capital stock of 153.50 billion pesos (207.9% higher than in 2002). These investment vehicles saw an outstanding growth in the year,

closing 2003 with 361.50 billion pesos managed, which represents an increase of 12.69% over December 2002.

6. Foreign Investment

Individuals and corporations residing abroad held a total of 56.52 billion dollars in assets listed on the Mexican stock market at the close of 2003; 26.83% higher than one year earlier. It's important to remark that this change was the result of changes in the market capitalization, in the real inflow of foreign portfolio investment and the peso-dollar exchange rate.

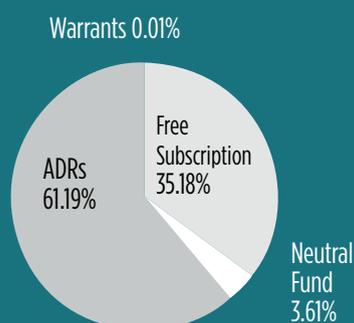
Instrument	2002		2003	
	No.	Pesos	No.	Pesos
Medium-term notes	1	200	0	-
PIC'S (Amt. in UDIS)	1	7,000	0	-
Securities Certificates (CBs)	31	52,645	26	75,447
Bank Bonds*	1	2,500	1	
Ordinary Participation Certificates	3	3,250	1	10,000
Total	37		28	

* In 2003, IBD notes were authorized on its global program Million pesos

Instrument	2002		2003	
	No.	Pesos	No.	Pesos
Commercial paper	45	58,699	21	56,393
Long-term CB's	16	13,470	31	23,709
Total	61	72,169	52	80,102

Foreign investment in the Stock Market.

December 2003



Notes:

Free Subscription stocks include Citibank Third-Party Accounts, Fondo México and Mutual Funds. The Neutral fund does not include CPOs backing ADRs. Share of ADRs includes GDRs.

Primary Activities in 2003

Mexico has in recent years attained a high degree of internationalization and, which now encompasses investment regimes for institutional investors and the trading infrastructure of this exchange. Offering participants the capacity to buy and sell foreign securities listed on the world's leading markets is therefore a strategic factor for our development.

Since 2001, the Mexican Stock Exchange has established strategic guidelines that provide structure and meaning for its institutional efforts. The consistent and orderly application of these guidelines continues to strengthen and further the Exchange's mission, which is primarily to provide the most modern infrastructure possible for the transactions the market requires, and expanding mechanisms and alternatives needed by issuers, brokers and investors.

However, the content and scope of our strategy has been changing. The vigor of the markets, changes to market regulations, the new duties and responsibilities of this company, also require that our institutional strategy be continually updated and perfected, though always in keeping with our central vision and goals.

Our institutional strategies can be summed up in the five main areas listed below, and the activities we

took in area are detailed in the section that follows.

Building a "complete market" through complementary products and services.

Technological innovation and strengthening an efficient, competitive and secure electronic environment.

Meticulous exercise of our surveillance, self-regulatory and compliance activities.

Ongoing development of information markets and products

Institutional promotion

I. Completing the markets

Mexico has in recent years attained a high degree of internationalization and, which now encompasses investment regimes for institutional investors and the trading infrastructure of this exchange. Offering participants the capacity to buy and sell foreign securities listed on the world's leading markets is therefore a strategic factor for our development.

With this and our overall strategy of "completing markets" in mind, to offer more diverse products and investment instruments to local investors, the Mexican Stock Exchange launched "Mercado Global BMV" (BMV Global Market) in 2003. This trading mechanism is based on the international quotation system, and allows for the listing and trading of foreign stocks and bonds right here in the Mexican exchange.

On May 29, twenty-nine U.S.

stocks from the Dow Jones Industrial Average, currently listed on the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation (NASDAQ) were incorporated into the Global Market. Later, on November 25 and 26, 48 European shares listed on U.S. markets in the form of American Depositary Receipts (ADRs) and included in the Euro Stoxx 50 index (also published by Dow Jones) were added. The listing of these securities constituted the creating of the U.S. and European segments of the BMV Global Market. The securities are traded according to the rules of the local stock market.

In a similar endeavor, in November 2003 the Exchange listed 13 bonds issued by the Mexican federal government in foreign currency, commonly known as United Mexican States, or UMS, bonds. To do so, we designed a new trading platform, which will also include foreign government and corporate bonds in 2004.

The BMV Global market offers the Mexican stock market the following benefits:

- Increases the efficiency of the securities market.
- Offers new products for the stock market.
- Builds the domestic investor base.
- Creates new business alternatives for brokers:
 - Mutual funds
 - Arbitrage
 - Offering of foreign securities to qualified investors.
- Portfolio diversification
- Similar tax treatment to domestic issuers.
- Centralization of securities custody in cross-border trading.

II. Technological Innovation

Our ongoing efforts in this area extend to all areas of the institution. They are crucial for keeping us at the forefront of the industry in terms of technology, equipment and systems to support activities.

On the trading side:

We concluded the operating design of version 5.0 of the BMV-Sentra Captales trading platform, which was presented to stockbrokers and the National Banking and Securities Commission. This version should be officially released in the second half of 2004.

A new version of the trading control system was installed in July, and has allowed us to optimize the administration and monitoring of equity market trading sessions.

In the SIVA system, we improved lookup capacities and created new ones to meet the needs of users. We eliminated 90 lookups that were not used, making the Bolsa's TANDEM system more efficient.

The trading processes in the SIVA system were optimized so that brokerage firms could register the valuation prices of new series listed by mutual funds, according to current regulations, and this mode was extended to SETRIB record-keeping (SETRIB is the electronic trade router).

On the issuer side:

The year 2003 saw many changes, particularly in the areas of regulations governing securities issuers and their impact on the Exchange's systems—both EMISNET, which issuers use to send information to the market, as well as internal listing, trading, administration and control systems.

The launch of the BMV Global Market also involved adjustments to

systems like SIVA and EMISNET so that the new issuers could be listed and administered. A special section of EMISNET was created for reporting information from listed foreign companies, including a round-the-clock corporate action disclosure module.

The Securities and Issuer Administration System (SAVE, by its initials in Spanish) was developed, and the first of three phases was launched in August. This systems will help unify platforms and automate processes, and will make the publication of information send by issuers and other market participants more efficient. We also released version 3.5 of the Computerized Financial Information System (SIFIC), which issuers can use to input financial information, including changes requested by the Exchange's Issuers Committee and the Research Committee of the Mexican Securities Industry Association.

In the surveillance area:

In mind of the importance of the Exchange's duties of surveillance and self-regulation, we continued to develop and update various systems in order to improve and automate processes, such as the VIGIA market surveillance system, so that we can track and detect possible movements and infractions against the current regulations.

We have begun the redesign and testing of the mutual fund system (SIBOLSA) in order to comply with existing regulations, adjusting forms from the VIGIA system and checking to see that the information is delivered as required.

We also changed the suspensions module of Sentra Control Operativo, to make the suspension process more efficient, minimize trading risk and implementing new methods to make

suspensions and lookups more dynamic.

On the statistical side:

We developed a special application in the SIVA Captales system to perform ex-dividends adjustment to stocks included in the Total Yield Index (known as the IRT).

To automate the issue of our regular publications, we implemented a system to prepare, print and publish daily bulletins for the capital and money markets.

Eighty-five percent of the systems and applications residing in the CONTEN data base were migrated to the TANDEM equipment.

In trading contingency and business continuity procedures:

The Mexican Stock Exchange last year worked on implementing a complete contingency program to deal with disaster situations or a sudden interruption of trading systems for reasons beyond this institution's control.

This contingency program was created out of two associated areas of market operations: **(a)** analyzing and attending to the impact that an unexpected interruption of central systems or some event that prevents access to the building might have on different areas of the exchange ; and **(b)** testing and design of the procedures necessary for brokers to re-establish communications and trading systems associated with the functioning of the stock market, from the backup site located in the state of Hidalgo. This process is known as "replication."

We conducted the necessary replication testing during the year, with satisfactory results, and we updated the business continuity plan for the capital market.



“Mercado Global BMV” Launch
May 29, 2003.

III. Surveillance, Self-Regulation and Compliance

Surveillance

One of the main responsibilities of the Mexican Stock Exchange with regard to the market is an effective surveillance of orderly securities listing, and compliance by issuers and state-owned companies with their obligations, particularly whether they supply the required information sufficiently and on time.

In 2003, the National Banking and Securities commission issued a document entitled “General Provisions Applicable to Securities Issuers and Other Market Participants”, known as the unified issuer bulletin. For the Exchange, this meant new responsibilities and a more exhaustive check of compliance with the obligations contained in that bulletin.

It also increased the number of issuers subject to revision and verification of their delivery of financial, administrative and legal information (157 new issuers, 65 in the fixed-income and trust market and 92 listed on the global market). This was the first time that disciplinary measures were applied to trusts and issuers of medium-and long-term debt, traded by brokers on the fixed-income market.

Another event during that year that required us to bolster our surveillance activities was the above-mentioned listing of various international securities in the segments of the BMV Global Market, primarily to continuously monitor the quotation and dissemination of information on those stocks in their domestic markets.

Although the demands were greater last year, with proper follow-up, analysis and surveillance by this

Exchange, the quality, promptness and sufficiency of information supplied by issuers on the market improved. For corrective or preventive reasons, the Exchange made a total of 277 suspensions, 32% less than in 2002, which implies significant progress in issuers’ performance of their obligations, and also further progress toward a transparent and vigorous market.

Stock series suspensions 2002 vs 2003

(Issuers and series of stocks, CPOs, debentures and debt)

Reason of Suspension	2002		2003	
	Total Suspended Issuer-Series	% of total	Total Suspended Issuer-Series	% of total
Exceeded parameters	324	80.0%	227	81.9%
Failure to supply financial information	24	5.9%	21	7.6%
Fixed-income issuers: failure to supply financial information	-	-	25 *	-
Technical problems and/or brokerage firm errors	23	5.7%	11	4.0%
Spin-offs, public offerings, price-setting	14	3.5%	6	2.2%
Corporate action	9	2.2%	1	0.4%
CNBV Orders	4	1.0%	3	1.1%
To avoid disorderly conditions	4	1.0%	2	0.7%
Issuer request	2	0.5%	4	1.4%
Failure to comply with listing requirements	1	0.2%	2	0.7%
Total	405	100%	277	100%

* Fixed-income issuers are not included in the total number of suspension because these were only notices the Exchange released to the market, and to brokers to refrain from trading these securities. Fixed-income securities are not traded in the SENTRA system, so the BMV cannot suspend them.



Another event during that year that required us to bolster our surveillance activities was the listing of various international securities in the segments of the BMV Global Market, primarily to continuously monitor the quotation and dissemination of information on those stocks in their domestic markets.

We should clarify that most of these suspensions occurred because quotation prices exceeded certain parameters, primarily among low- and minimum-marketability stocks, and due to the failure to deliver financial information, particularly by issuers of fixed-income securities.

Regarding surveillance of the content of issuers' annual financial statements, and 65 of 215 auditors' reports, the Exchange detected notes or clarifications (48) and paragraphs specifying exceptions or qualifications (17). In cases in which the issuers were required to totally or partly transcribe their auditors' opinions through EMISNET, including clarifications to notes or emphasizing paragraphs, all complied with these instructions.

Compared to 2002, there was a substantial increase in the number of issuers expressing exceptions, abstentions of opinion, or paragraphs of emphasis in their reports, from 18 to 65 cases. In addition, the 65 issuers whose reports included notes from their auditors made the corresponding market disclosure in the form of a notice of corporate event.

Regarding the obligation to disclose their degree of adherence to the

Code of Best Corporate Practices, eight capital-market issuers and three fixed-income issuers were suspended for failing to deliver this information to the Exchange, and to provide any valid justification for doing so. This is the second year in a row we have required issuers to deliver reports on this matter, and we note that a great number of them are reporting a greater degree of adherence, which implies a more transparent corporate management and information disclosure. This means greater confidence and security for market participants.

On the subject of listing maintenance requirements, the Unified Bulletin provides for two bi-yearly and one annual review: the results of the three evaluations in 2003 are available on-line on the Exchange's web page. In the annual evaluation, the Exchange identified a total of 100 issuers (142 issuer-series) that failed to comply with one or more of the six requirements, 63 of which were still active and 37 of which were suspended. At the request of the institution, all of these issuers presented corrective plans by the established deadline, and these are also available to the investing public on the BMV web page.

In addition our supervision of issuers'

compliance with their obligations, we concluded the annual program of inspection visits to brokerage firms with satisfactory results. These visits help optimize institutional service levels, as well as the technical and operating security of the BMV-SENTRA Capitaes system.

Self-regulation and compliance

As part of our compliance activities in 2003, we made amendments to our internal regulations on four separate occasions, following the procedure established in the Securities Market Act. These changes were intended to develop and keep these regulations up to date, including the following issues:

- 1.** The incorporation of new kinds of investors eligible to acquire securities listed in the BMV Global Market (international quotations system)
- 2.** Adjustments pursuant to changes in the Securities Market Act of June 2001, the issue of the Unified Bulletin in March 2003, and certain operating aspects necessary to keep up with the evolution of the markets. These adjustments were substantial: they adjusted the rules for members and their traders, issuers and other securities market participants; introduced new trading figures

(limited members) and modified trading performance schemes to be consistent with the creation of the Central Counterparty;

3. Regulatory aspects regarding implementation of the fixed-income section of the International Quotations System, now called the BMV Global Market; and

4. The terms and conditions that brokerage firms must meet to trade UMS bonds and foreign fixed-income securities listed on the BMV Global Market.

Because our regulatory duties involve close cooperation with the financial authorities, in 2003 we established a steady flow of communication and meetings with the National Banking and Securities Commission in order to review and analyze the draft versions of the documents entitled “General provisions applicable to securities issuers and other participants in the securities market,” the “General Provisions applicable to the International Quotations System” and “General Provisions applicable to brokerage firms.”

As a complement to these efforts, we updated the Manual of Operating Policies of the Capital Market, adjusting its content to the changes in the Exchange’s Internal Regulations. The new version will be distributed to market participants in the first quarter of 2004.

IV. Development of Markets and Information Products

Incorporation of Non-Stockholder Members to the Exchange

Following changes to the Securities Market Act of June 2001, brokerage firms can now access the Exchange’s listing and trading systems without acquiring a share in the capital stock of the institution. These are called Non-stockholder Members.

Under this new rule, Casa de Bolsa Credit Suisse First Boston and Bank of America Casa de Bolsa began operations in 2003 as limited Non-Stockholder Members, and can only perform fixed-income placements. In addition, UBS Casa de Bolsa began operations on October 23 as a full Non-Stockholder Member, including the installation and training for the BMV-SENTRA Capitaes system. In this case, the designation “full” means it can perform placements as well as trading in the fixed-income and capital markets.

Information publications

In keeping with the prevailing regulations, the Exchange generated daily, monthly, quarterly and annual information, basically containing the results of trading on the market, as well as the information that market intermediaries sent to the institution.

To comply with Bulletin 12-22 Bis 12 of the National Banking and Securities commission, regarding the disclosure of mutual fund information, the data transmission formats were modified in the area of administrative and trading administration of fund portfolios, so that the reports conformed to the terms of that Bulletin.

Regarding the maintenance and development of market indicators, we reviewed the procedures for calculating stock market multiples and market capitalization of the overall market, as well as the

maintenance rules for the Price and Quotations Index.

On this important matter of Mexican market indices, we developed a first version of two new indicators:

- The NAFTA SX120 index, which includes issuers listed in Canada, the United States and Mexico.
- The Prices and Trading index, one of whose characteristics is that it includes foreign issuers that list stock on the Mexican Stock Exchange for traditional trading.

Information distribution

In keeping with the international climate, and after a long process of shrinkage and mergers in the market and financial information sale industry, we observed a slight by significant increase of 1% in the number of terminals carrying information from this Exchange around the world, to a total of 9,100.

One of the biggest challenges in 2003 was to conduct a study of the business models followed by other exchanges, including those of Germany, Spain and England. As a result of these efforts, the Exchange decided to join the value chain of information vending by selling retail data. We analyzed possible joint ventures with other exchanges and information vendors for participating in this market segment, and to be able to offer a competitive product that meets the expectations and needs of the local market. We will continue working to select the best alternative.

Another constant area of activity in 2003 was the development of new information formats for inclusion in the SIVA TCP transmission system. This past year, we released 9 new formats: 6 of them to encourage the promotion and dissemination of information on the new BMV Global Market and another three incorporating information for benchmark analysis, such as those used for the fixed-income market.

Through these actions, we are incorporating more and better information for international information vendors, to promote the Mexican market and eventually attract greater liquidity.

As for the technological platform, we conducted a poll among various technology suppliers specializing in dissemination of information, laying the groundwork for a project that would lower infrastructure costs, allow for an upgrade of current technology, and improve processes. Ultimately, this will facilitate the reception and transmission of information to and from our clients using a standardized messenger protocol.

Project planning and administration

We followed up on the development of projects that were authorized for 2003, and released the following:

Goal	Projects
Automation and efficiency of internal processes	<ul style="list-style-type: none"> • Redesign of the Securities Administration System • Daily bulletin for the money and capital markets • Re-engineering Trading Control • 24-hour Emisnet project • Updating corporate action encryption system (Seguridata)
Regulatory compliance	<ul style="list-style-type: none"> • Unified Issuers' Bulletin • Bulletin 12-22 Bis 12
Creation of new areas or products to develop the securities market	<ul style="list-style-type: none"> • Adjusting the BMV Global Market trading system to incorporate foreign stocks • Adjusting the BMV Sentra Global Deuda system to trade UMS bonds • Adjustments to issuers' financial and accounting information system (SIFIC)

V. Institutional Promotion

As part of our promotional activities, and in order to encourage the understanding of and compliance with issuers' obligations in connection with the Unified Bulletin, we prepared and executed an institutional work plan which included a summary of the primary obligations contained in the new provisions, the forms and deadlines for delivery, and a dissemination of all of this information through letters, e-mail and direct advice.

We also started up a training program that covers the updated regulations and systems of the Exchange. We gave practical courses in the cities of Guadalajara, Mexico City and Monterrey, attended by nearly 200 issuers and almost 400 users, for three weeks, giving two courses a day.

In the area of promotion, we prepared promotional brochures (threefold) on the topic of "How to List on the Exchange":

- Stocks
- Securities Certificates
- Short-term securities certificates
- Financing for state and municipal governments
- Securitization programs.

We developed a plan to promote the "Listed on the BMV" logotype for companies who list their shares on the Mexican exchange, including an application manual. The "Listed on the BMV" symbol identifies the best companies in Mexico, those that are distinguished by their clear and open management and their quality.

In addition, we organized market financing forums in Mexico City and other of the country's largest cities, like Aguascalientes, Chihuahua, Guadalajara, Monterrey and Veracruz. We invited prospective issuers as well as state and municipal officials. The events involved participants from the Mexican Securities Industry Association, the BMV's Issuers Committee, the Business Coordinating Council and the Mexican Institute of Finance Executives, among others.

In our efforts to establish closer ties with university students, we organized securities-market culture and financing events in universities throughout Mexico, like the Universidad Panamericana and the Instituto Tecnológico de Estudios Superiores de Monterrey, and others.

We participated in national and international forums for promoting the securities market, and various events were organized on the Bolsa's old trading floor to mark new public offerings and listings on the BMV Global Market.

As for our participation in international organizations, in September 2003, the Mexican Stock Exchange assumed the presidency of the Ibero-American Federation of Stock Exchanges for a two-year term, and in October became a member of the Board of Directors of the World Federation of Exchanges. Both distinctions place the Mexican Stock Exchange in a privileged position to learn about the main trends taking place in the world's securities markets, particularly in the areas of trading, regulations, technology and alliances.

■ Vision for 2004

The year ahead is full of challenges and opportunities. The economic stability of Mexico and the growing need for financing productive activities create a propitious climate in which the Mexican Stock Exchange can continue to pursue its institutional strategies.

The ultimate objectives are:

- To promote new issues of equity by Mexican companies, as well as securities-market debt instruments by the extensive universe of private and public-sector companies, many of which involve new and innovative features.
- To expand the products and services available to issuers, investors and brokers through the Exchange.
- To communicate the benefits of investment in the Mexican market for building and diversifying portfolios, particularly for institutional investors, since these play a key role given the amount of funds they manage, many of them from small savers who can gain access to the Exchange only through these funds.
- To guarantee transparency, fairness and security in the market, fortifying its image and the confidence that participants have in it.
- Remaining at the forefront in technological aspects of the company and the market, and maintaining an efficient, competitive and secure electronic trading environment;
- Decisively carrying our supervisory, self-regulatory and compliance duties; and
- Institutional promotion.

Accordingly, in 2004, our institutional efforts will continue to focus on:

- Keeping a wider range of complementary products and services available;



Shareholders & Members

Corporate Name	Shareholder	Full Member (1)	Limited Member (2)
ABN AMRO Securities (México), S.A. de C.V., Casa de Bolsa Acciones y Valores de México, S.A. de C.V., Casa de Bolsa, Grupo Financiero Banamex	•	•	
Banc of America Securities Casa de Bolsa, S.A. de C.V., Grupo Financiero Bank of America			•
Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones	•		
Bursamex, S.A. de C.V., Casa de Bolsa	•	•	
Casa de Bolsa Arka, S.A. de C.V., Arka Grupo Financiero	•	•	
Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte	•	•	
Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer	•	•	
Casa de Bolsa Bitai, S.A. de C.V., Grupo Financiero Bitai (Ahora: HSBC Casa de Bolsa, S.A. de C.V., Grupo Financiero HSBC)	•	•	
Casa de Bolsa Citibank, S.A. de C.V., Grupo Financiero Citibank	•		•
Casa de Bolsa Credit Suisse First Boston (México), S.A. de C.V., Grupo Financiero Credit Suisse First Boston (México)			•
Casa de Bolsa Santander Serfin, S.A. de C.V., Grupo Financiero Santander Serfin	•	•	
Deutsche Securities, S.A. de C.V., Casa de Bolsa	•		•
Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex	•	•	
GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa, Grupo Financiero GBM	•	•	
ING (México), S.A. de C.V., Casa de Bolsa, ING Grupo Financiero	•	•	
Interacciones Casa de Bolsa, S.A. de C.V., Grupo Financiero Interacciones		•	
Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa	•	•	
Invex Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero	•	•	
IXE Casa de Bolsa, S.A. de C.V., IXE Grupo Financiero	•	•	
J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero	•		•
Merrill Lynch México, S.A. de C.V., Casa de Bolsa	•	•	
Monex Casa de Bolsa, S.A. de C.V.	•	•	
Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero	•	•	
Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat	•	•	
UBS Casa de Bolsa, S.A. de C.V.		•	
Valores Mexicanos Casa de Bolsa, S.A. de C.V.	•	•	
Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero	•	•	
Vector Casa de Bolsa, S.A. de C.V.	•	•	

(1) Full Member. Brokerage in the equity and fixed-income markets

(2) Limited Member. Brokerage only in the fixed-income market

Corporate Officers

Pedro Zorrilla Velasco	Chief Executive Officer
Eduardo Trigueros Gaisman	Issuers
Antonio Villarruel Lagos	Operations
José Manuel Allende Zubirí	Market Development
Catalina Clavé Almeida	Information
Pedro Díez Sánchez	Surveillance
Sandra Gómez Bessa	Institutional Relations
Salvador Herrera Montiel	Statistics
Guillermo Medina Arellano	Communications & Media



■ Facts & Figures

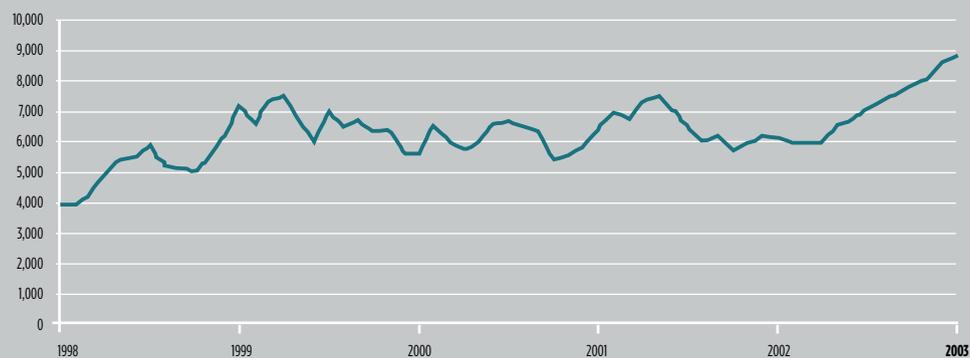
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Stock Market Indexes

Index	Historic High		Nominal % Change					Accrued 1999/2003	2003		
			1999	2000	2001	2002	2003		High	Low	Last
IPC	8,795.28	31-Dic-03	80.06	(20.73)	12.74	(3.85)	43.55	122.12	8,795.28	5,763.87	8,795.28
INMEX	490.67	31-Dic-03	72.74	(21.31)	12.90	(6.39)	46.93	111.06	490.67	313.27	490.67
IMC30	181.07	31-Dic-03	31.46	(27.84)	9.39	4.98	66.21	81.07	181.07	103.15	181.07
IRT	9,047.42	31-Dic-03	-	-	-	(3.32)	46.86	41.98	9,047.42	5,795.67	9,047.42
IDIPC	102.85	19-Dic-03	-	-	-	0.53	2.31	2.85	102.85	100.53	102.85
1 Mining	11,354.30	17-Ene-00	41.64	(46.18)	(53.90)	59.68	165.11	48.75	10,390.38	3,846.86	10,390.38
2 Manufacturing	3,673.92	07-Oct-97	14.16	(22.31)	(9.67)	8.09	18.46	2.58	2,948.19	2,261.05	2,948.19
3 Construction	14,660.60	30-Dic-03	89.58	(31.79)	33.53	3.49	42.56	154.78	14,660.60	8,836.63	14,634.66
4 Retail	15,884.17	14-Nov-03	52.39	(8.96)	15.41	(8.41)	35.79	99.14	15,884.17	10,943.32	15,325.10
5 Comm. & Transport	42,212.17	08-Mar-00	124.70	(17.71)	6.17	(9.49)	48.96	164.66	36,720.56	23,218.47	36,720.56
6 Services*	1,118.84	01-Dic-03	116.13	16.39	27.57	(4.07)	31.91	306.06	1,118.84	836.94	1,103.31
7 Holding & others	5,424.47	14-Ago-97	39.78	(49.18)	6.45	5.02	46.32	16.21	3,198.11	1,972.64	3,198.11

* Includes: commercial banks, brokerage firms, financial groups, insurance companies, bonding companies and other service companies.

Price & Quotations Index



Capitalization Value

Stock Market

Year	Listed Companies	Listed Series	Capitalization Value*		% Change	
			Pesos	Dollars	Pesos	Dollars
1999	190	296	1,460,336	153,489	60.94	66.87
2000	177	260	1,203,021	125,679	(17.62)	(18.12)
2001	172	250	1,157,600	126,620	(3.78)	0.75
2002	169	233	1,079,221	104,652	(6.77)	(17.35)
2003	158	215	1,376,927	122,546	27.59	17.10

* Not including mutual funds

Main Stock Issues

Issuer	Series	Capitalization Value		% Market Share	Yield **
		Pesos	Dollars		
TELMEX	L	143,421	12,764	10.42	11.71
AMX	L	135,640	12,072	9.85	106.68
WALMEX	V	125,209	11,144	9.09	35.66
CEMEX	CPO	100,576	8,951	7.30	30.73
TELECOM	A1	56,953	5,069	4.14	35.29
AMTEL	A1	52,820	4,701	3.84	137.87
TLEVISA	CPO	50,201	4,468	3.65	55.30
GFBB	B	43,637	3,884	3.17	21.37
GFINBUR	O	36,482	3,247	2.65	39.77
GCARSO	A1	33,081	2,944	2.40	54.30

(**) Nominal yield, includes ex-dividend adjustments.
High and medium marketability issuers.
Pesos and dollars in millions.



(*) Not including mutual funds

Capitalization Value

Foreign Issuers

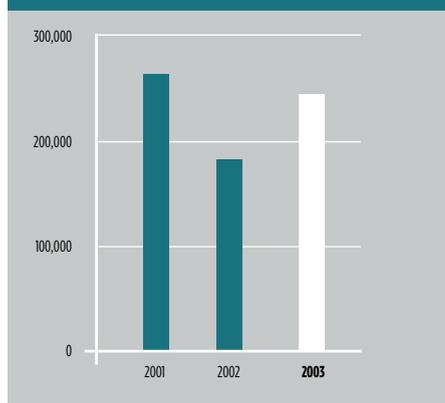
Year	Listed Companies	Listed Series	Capitalization Value*		% change	
			Pesos	Dollars	Pesos	Dollars
2001	1	1	2,432,546	266,076	10.44	10.46
2002	2	2	1,873,564	181,679	(22.98)	(31.72)
2003	2	2	2,798,084	249,028	49.35	37.07

Stock Issues

Issuer	Series	Capitalization Value		% Market Share	Yield**
		Pesos	Dollars		
C	*	2,755,594	245,247	98.48	48.90
TS	*	42,490	3,782	1.52	81.82

(**) Nominal Yield, includes ex-dividend adjustments.
High and medium marketability issuers.
Pesos and dollars in millions.

Foreign Issuers Capitalization Value
(Million dollars)



Price-earnings & Price-book Value Ratios of the Stock Market

	Historic High	1999	2000	2001	2002	2003	High	2003 Monthly Low	Last
Price / Earnings	22.65 Apr-95	17.20	12.23	15.56	12.53	17.91	22.23	13.56	17.91
Price / Book Value	3.13 Jan-94	2.41	1.98	1.39	1.39	2.20	2.24	1.49	2.20

Price-earnings Ratio



Price-book Ratio



Securities Market Trading

Value Traded

	Stock Market (1)		Fixed-income Market		BMV Global Market		Capital Market (2)		Money Market (3)*		Total	
	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars	Pesos	Dollars
1999	331,013	34,726	3,638	382			366,868	38,521	20,952,343	2,192,493	21,319,211	2,231,014
2000	390,166	41,263	5,038	532			400,659	42,372	39,077,980	4,082,445	39,478,639	4,124,817
2001	354,221	38,036	7,182	770			366,444	39,346	40,029,192	4,366,567	40,395,636	4,405,913
2002	274,030	28,734	7,820	813			286,625	30,044	32,367,295	3,350,097	32,653,920	3,380,141
2003	273,915	25,402	9,709	902	2,537	230	290,376	26,926	76,341,382	7,078,609	76,631,759	7,105,535

Trading Volume of the Stock Market

	Volume (1)	Daily Average	Annual % Change
1999	21,534,650	85,455	18.67
2000	22,308,133	89,233	4.42
2001	24,638,140	97,770	9.57
2002	21,135,359	84,205	(13.88)
2003	18,818,405	74,974	(10.96)

BMV Global Market Traded Volume

	Volume	Daily Average	Annual % Change
1999			
2000			
2001			
2002			
2003	5,561	40	N.A.

(1) Does not include mutual funds, warrants, indexed bank bonds or public offerings of stocks

(2) Includes mutual funds, warrants and indexed bank bonds.

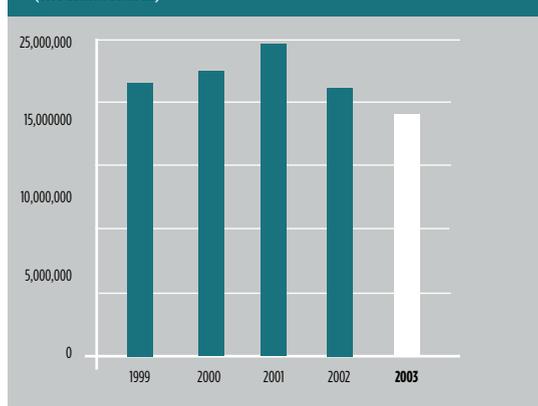
(3) Includes the metal market.

(*) Value traded by by SIF Garban Intercapital.

Million pesos, million dollars & thousand shares

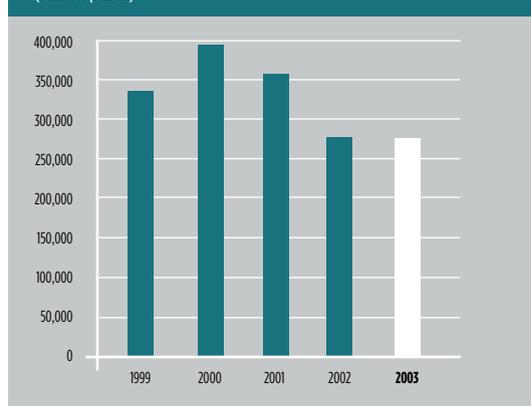
Annual Securities Trading Volume

(Thousand shares)



Value Traded in the Securities Market

(Million pesos)



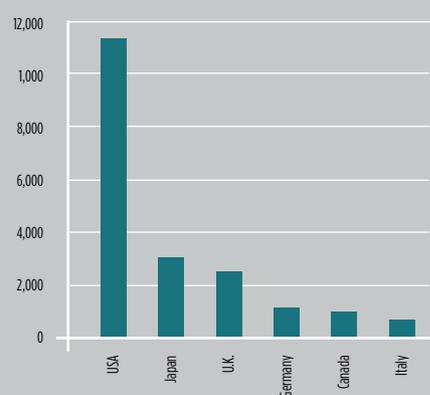
Market Capitalization of International Markets

		2002 December	High	2003 Low	December	% Change Dec 03 / Dec 02
México	IPC	104.7	122.5	88.6	122.5	17.10
Developed Markets						
Germany	Xetra Dax PF	686.0	1,079.0	619.0	1,079.0	57.29
USA	DJ Industrial	9,015.2	11,329.0	8,542.5	11,329.0	25.67
Japan	Nikkei 225	2,069.3	2,953.1	1,938.7	2,953.1	42.71
United Kingdom	FTSE 100	1,785.2	2,425.8	1,613.0	2,425.8	35.89
Canada	S&P/TSX Compuesto	579.8	910.2	592.6	910.2	56.99
Italy	MIBTel	477.1	614.8	445.5	614.8	28.88
Emerging Markets						
Brasil	Bovespa	126.8	234.6	116.1	234.6	85.04
Chile	IPSA	48.0	86.5	46.2	86.5	80.10
Korea	KOSPI	215.9	298.2	175.8	298.2	38.15
Philippines	PSE Composite	18.5	23.3	18.0	23.2	25.22
Greece	ATHEX General	67.1	106.6	57.7	106.6	59.02
Taiwan	TSE Weighted	261.2	379.0	244.0	379.0	45.10

Billion dollars

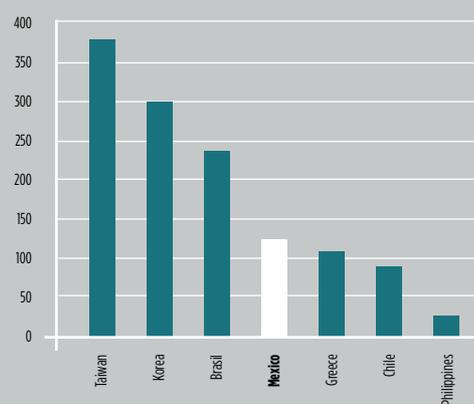
Capitalization of Developed Markets

(Billion dollars)



Capitalization of Emerging Markets

(Billion dollars)



Trading Statistics of International Markets

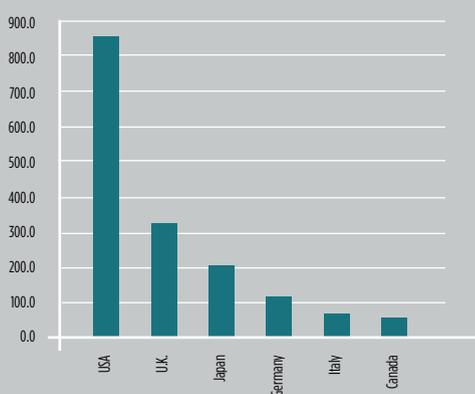
Monthly Value Traded

		2002 December	High	2003 Low	December	% Change Dec 03 / Dec 02
México	IPC	1.3	3.2	1.3	2.0	49.86
Developed Markets						
Germany	Xetra Dax PF	75.8	133.2	74.2	113.4	49.52
USA	DJ Industrial	674.6	958.7	623.1	856.6	26.97
Japan	Nikkei 225	110.9	305.4	100.3	201.1	81.31
United Kingdom	FTSE 100	240.9	383.4	234.2	322.4	33.83
Canada	S&P/TSX Composite	30.4	51.8	29.7	51.8	70.30
Italy	MIBTel	54.7	85.9	50.6	68.7	25.66
Emerging Markets						
Brasil	Bovespa	3.3	9.0	2.6	8.3	152.27
Chile	IPSA	0.3	1.1	0.2	0.8	159.69
Korea	KOSPI	33.9	45.3	24.6	43.1	27.05
Philippines	PSE Composite	0.1	0.8	0.1	0.2	85.86
Greece	ATHEX General	2.2	5.4	1.3	4.1	82.15
Taiwan	TSE Weighted	45.2	85.3	27.5	42.1	(6.80)

Billion dollars

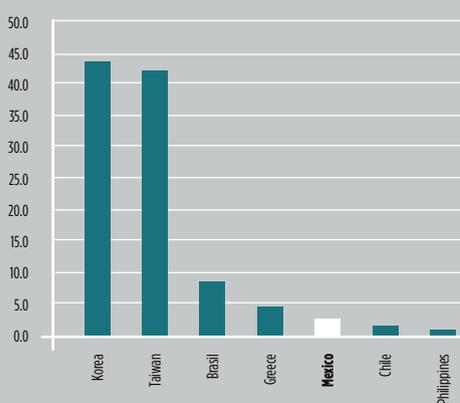
Value Traded Developed Markets

(Billion Dollars)



Value Traded Emerging Markets

(Billion Dollars)



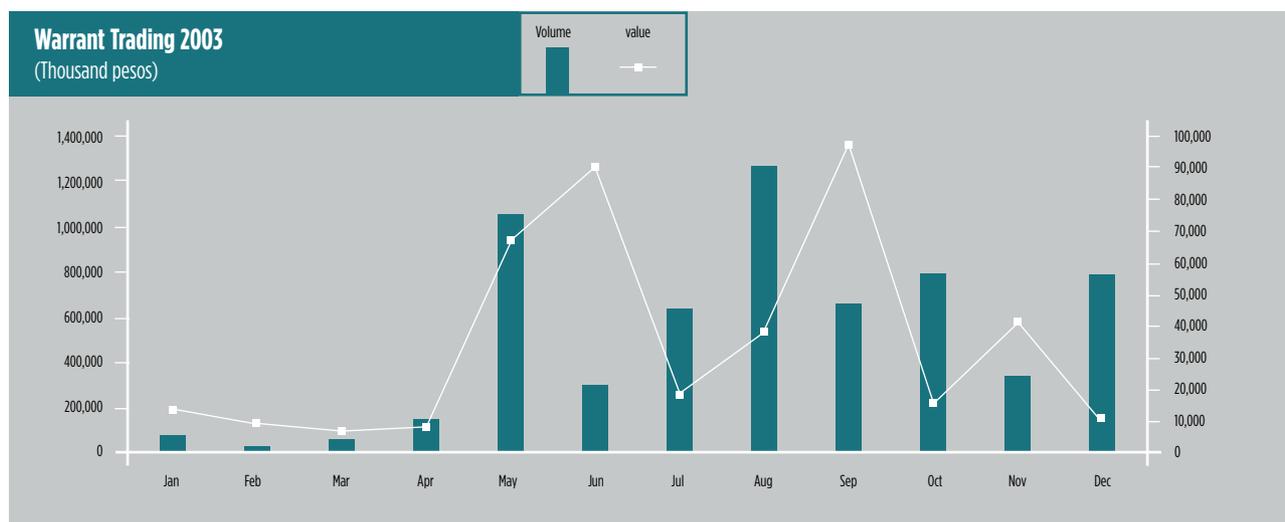
Warrants

Issue	Series	Opening Price Pesos	High	Low	Last	Issue Price	Accrued % Change*		
							Nominal	Real	Dollars
IPC309R	DC128	281.77 14-Mar-03	400.00 20-May-03	281.77 14-Mar-03	400.00 20-May-03	281.77 14-Mar-03	41.96	42.16	42.29
IPC307R	DC125	260.61 14-Feb-03	300.00 11-Apr-03	260.61 14-Feb-03	300.00 11-Apr-03	260.61 14-Feb-03	15.11	14.95	17.57
IPC307R	DC124	5,530.78 14-Feb-03	5,950.00 11-Apr-03	5,530.78 14-Feb-03	5,950.00 11-Apr-03	5,530.78 14-Feb-03	7.58	7.43	9.87
IPC301E	DC106	6,220.00 02-Jan-03	6,405.00 14-Jan-03	6,020.00 22-Jan-03	6,025.00 24-Jan-03	6,783.00 24-Jan-02	(1.71)	(2.21)	(6.38)
IPC309R	DC131	6,725.00 17-Jun-03	7,070.00 12-Sep-03	6,715.00 17-Jun-03	7,070.00 12-Sep-03	6,725.00 17-Jun-03	0.28	(0.31)	0.34
IPC312R	DC133	7,441.02 02-Sep-03	7,705.00 28-Nov-03	7,441.02 02-Sep-03	7,705.00 28-Nov-03	7,441.02 02-Sep-03	0.59	(0.21)	(1.58)

* Change calculated since offering date.

	Total Issued (A)	Number of Transactions (B)	Trading Volume (C)	Value Traded Thousand pesos	Turnover (C)/(A)	Average Volume per Transaction (C)/(B)
Global Total	143,500	1,187	6,135,680	359,937	42.76	5,169
Total / Stocks	0	598	6,087,000	26,876	—	10,179
Buy	0	598	6,087,000	26,876	—	10,179
Sell	0	0	0	0	—	—
Total / Indices	143,500	589	48,680	333,061	0.34	83
Buy	143,500	589	48,680	333,061	0.34	83
Sell	0	0	0	0	—	—
Total / Basquet	0	0	0	0	—	—
Buy	0	0	0	0	—	—
Sell	0	0	0	0	—	—

* Trading figures do not include public offerings



Short Sales*

Participation in Total Trading

Main Issuers	Value Traded	% Share
NAFTRAC	646,631	27.13
CEMEX	630,878	26.47
WALMEX	543,143	22.79
TELMEX	142,853	5.99
AMX	103,214	4.33

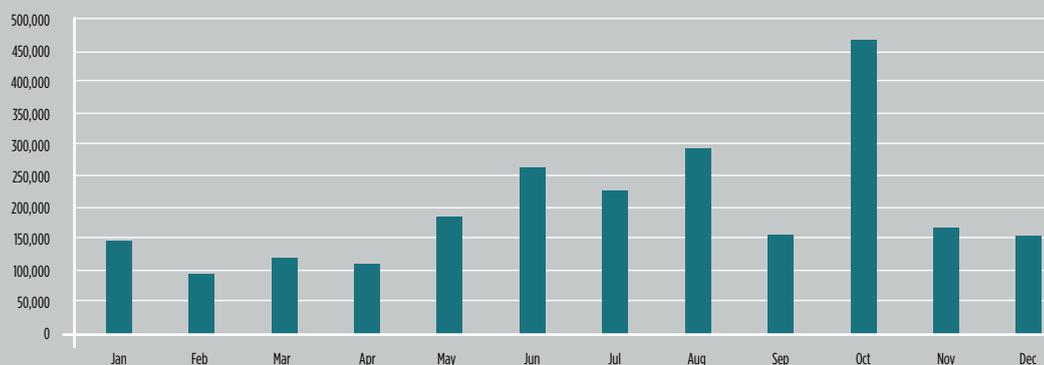
Main Brokerage Firms	Value Traded	% Share
SANT	876,503	36.78
GBM	875,814	36.75
ACCIV	286,676	12.03
SCTIA	251,810	10.57
INTER	91,660	3.85

Cummulative Short Sales

	Trading Volume	Value Traded	Number of Transactions
January	14,405	145,411	221
February	10,918	93,020	212
March	13,422	119,241	220
April	6,480	110,955	213
May	11,873	183,691	324
June	12,980	265,228	492
July	21,117	227,842	310
August	16,782	295,788	359
Septemer	12,619	154,536	288
October	19,058	466,213	463
November	14,011	167,893	302
December	6,594	153,547	252
Total 2003	160,259	2,383,366	3,656
Annual % Change	21.79	30.73	(3.92)

Thousand pesos, thousand shares.
* Includes operations traded in SIC.

Short Sales Value Traded (Thousand pesos)



Money Market Yields

28-day maturity Cetes

	%	Date
High Yield for the period 1999 - 2003	33.41	21-Jan-99
Low Yield for the period 1999 - 2003	4.14	31-Jul-03

	1999 Last %	2000 Last %	2001 Last %	2002 Last %	High %	2003 Low %	Last %
Government Instruments							
28-day maturity Cetes	16.25	17.59	6.75	7.56	9.70	4.14	6.04
91-day maturity Cetes	17.44	18.01	7.60	8.08	9.61	4.90	6.17
182-day maturity Cetes	18.00	17.26	9.37	7.80	9.63	5.36	6.74
364-day maturity Cetes	18.67	17.01	10.08	8.38	9.84	5.89	6.95
28-day maturity bondes	16.95	17.55	—	—	—	—	—
91-day maturity bondes	17.37	15.00	—	—	—	—	—
182-day maturity bondes	—	17.69	10.51	9.10	8.82	5.81	5.81
Trimestral payment Bondes	—	17.01	9.27	6.94	—	—	—
Fixed Rated Bonds 3 years	—	16.00	10.50	10.50	9.00	9.00	9.00
Fixed Rated Bonds 5 years	—	—	10.50	14.50	9.00	8.00	8.00
Fixed Rated Bonds 7 years	—	—	10.50	9.00	9.00	8.00	8.00
Fixed Rated Bonds 10 years	—	—	—	—	9.00	8.00	8.00
Fixed Rated Bonds 20 years	—	—	—	—	8.00	8.00	8.00
Udibonos	6.75	6.00	6.50	—	5.50	3.50	3.50
Monetary Regulation Bonds	—	18.40	7.30	6.99	9.70	4.29	6.13
IPAB Bonds	—	17.12	6.03	6.98	9.30	4.14	6.13
Trimestral Payment IPAB Bonds	—	—	—	6.99	9.60	4.90	6.17
Corporate Instruments							
Commercial Paper	18.72	18.82	7.50	8.64	15.13	4.26	6.45
Promissory Notes	18.69	18.38	7.93	8.39	10.61	4.80	6.34
Short-term "Certificado Bursatil"	—	—	—	10.67	13.29	4.19	9.20

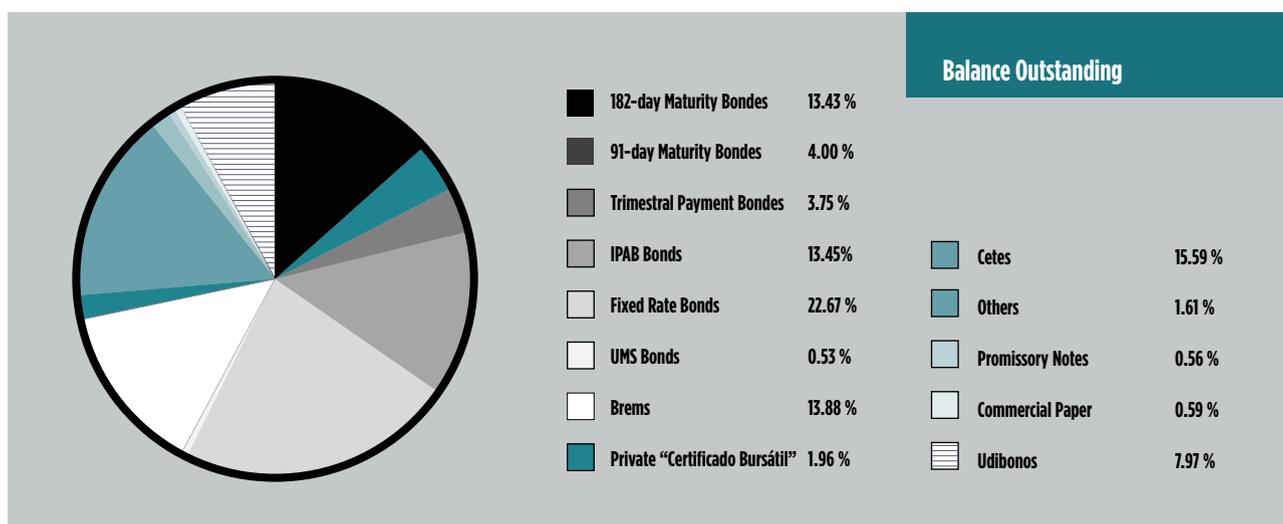
28-day Maturity Cetes



Money Market Instruments (Balance outstanding)

	2003		% Annual Change	% Dollar Change
	Pesos	Dollars		
Government Instruments				
Cetes	765,000	80,967	(13.66)	(11.35)
28-day maturity Bondes	0	0	NA	NA
91-day maturity Bondes	196,000	20,545	(7.55)	(6.86)
182-day maturity Bondes	659,000	65,389	83.57	74.75
Trimestral Payment Bondes	184,000	19,767	0.00	0.00
Fixed Rate Bonds	1,112,000	105,722	250.79	219.58
Udibonos	390,806	41,454	28.52	23.59
Monetary Regulation Bonds	681,000	68,898	67.73	58.77
IPAB Bonds	660,000	67,552	40.43	35.78
Government Bonds Abroad	25,870	2,310	(0.67)	(8.10)
Detachable "Certificado Bursátil"	9,692	865	NA	NA
Government "Certificado Bursátil"	24,606	2,197	371.75	336.43
Bankers Bonds	2,000	179	(38.65)	(43.25)
Development Bankers Bonds	667	60	(90.14)	(90.88)
Infrastructure Bankers Bonds	7,500	670	(40.00)	(44.49)
Corporate Instruments				
Debentures	2,918	261	(0.68)	(8.12)
Capitalizable Debentures	0	0	NA	NA
Convertible Debentures	739	66	1.78	(5.84)
Debentures (Quirogra)	462	41	(38.57)	(43.17)
Subordinate Debentures	5,517	493	(28.50)	(33.85)
Subordinate Debentures (Convertibles)	0	0	NA	NA
Short-term Promissory Notes	200	18	(24.59)	(30.23)
Fiduciary Promissory Notes	355	32	(16.52)	(22.77)
Financial Promissory Notes	0	0	NA	NA
Promissory Notes	27,570	2,462	(10.38)	(17.09)
Naturity Rate Prom. Note	3	0	0.00	4.34
Private "Certificado Bursátil"	96,303	8,599	102.28	87.14
Short-term "Certificado Bursátil"	9,485	902	128.97	121.14
Ordinary Participation Certificates	14,942	1,334	(10.75)	(17.43)
Commercial paper	28,918	3,386	(14.07)	(9.57)
Total	4,905,552	494,167	46.98	41.15

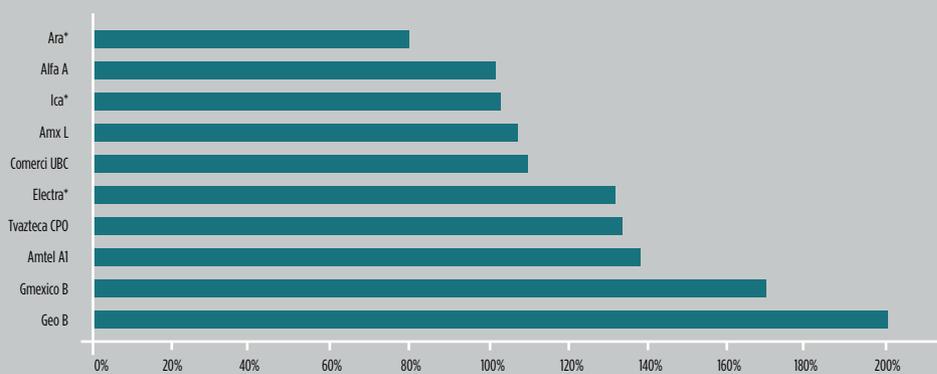
Million pesos
NA = No Available



Stock Market Series with Highest Yields*

Issuer	Series	Nominal	Yield % Real	Dollars
1 Geo	B	199.84	188.38	175.20
2 Gmexico	B	169.53	159.22	147.38
3 Amtel	A1	137.87	128.77	118.32
4 Tvaztca	CPO	132.93	124.02	113.78
5 Elektra	*	131.52	122.66	112.49
6 Comerci	UBC	109.26	101.26	92.06
7 Amx	L	106.68	98.78	89.70
8 Ica	*	102.65	94.90	85.99
9 Alfa	A	101.43	93.73	84.88
10 Ara	*	80.13	73.24	65.32

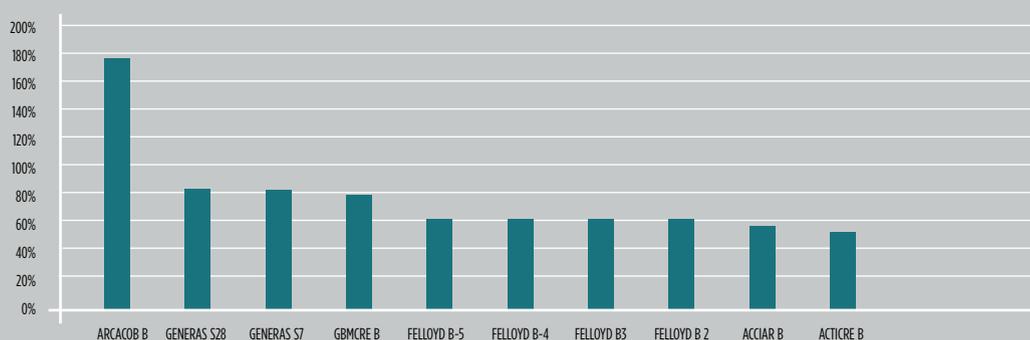
Series with Highest Nominal Yields



Mutual Funds with the Highest Yields

	Nominal	Annual % Yield Real	Dollars
Common Stock			
GBMCRE B	83.29	76.28	68.22
ACCIAR B	57.27	51.26	44.34
ACTICRE B	53.56	47.69	40.94
ST&ER-D B	51.04	45.26	38.62
ING-REN B	50.04	44.30	37.70
ING-PAT B	49.19	43.48	36.93
ST&ER-A B	48.45	42.78	36.25
LIDER-A B	47.68	42.03	35.54
ACTIPAT B	47.61	41.96	35.48
VECTCR B	46.22	40.63	34.20
Debt Instruments			
GENERAS S28	86.59	79.45	71.25
GENERAS S7	86.54	79.41	71.21
HZUSBON A	14.58	10.20	5.16
HZUSLIQ A	14.57	10.19	5.15
HZUSLIQ C	14.23	9.86	4.84
HZUSLIQ B	14.20	9.84	4.82
HZUSBON C	14.09	9.73	4.72
HZUSBON B-3	14.05	9.69	4.68
HZUSBON B	13.75	9.40	4.40
GENERAL L2	12.78	8.47	3.51
Debt Instruments for Individuals			
ARKACOB B	178.14	167.50	155.28
VALMX32 B	16.32	11.87	6.76
HZBOMEX B	15.61	11.19	6.11
LATIN2 B	14.49	10.11	5.08
ST&ERUS B	14.12	9.76	4.74
GBMUSD B	13.61	9.27	4.27
BMERUSD B	13.12	8.80	3.82
ING-USD B	12.77	8.46	3.50
ICAGLOB B	12.69	8.38	3.43
PRUDLS C	11.50	7.24	2.34
Debt Instruments for Corporations			
FELLOVD B-5	65.17	58.86	51.60
FELLOVD B-4	65.12	58.81	51.55
FELLOVD B-3	65.08	58.77	51.52
FELLOVD B-2	65.05	58.74	51.48
GBMUSDM B	15.90	11.46	6.37
ACTICOR B	12.22	7.93	3.00
NORTEFP B	11.63	7.36	2.45
NORTEPZ B	10.53	6.30	1.45
INEM B2	10.29	6.08	1.23
HORIZON B	8.75	4.59	(0.19)

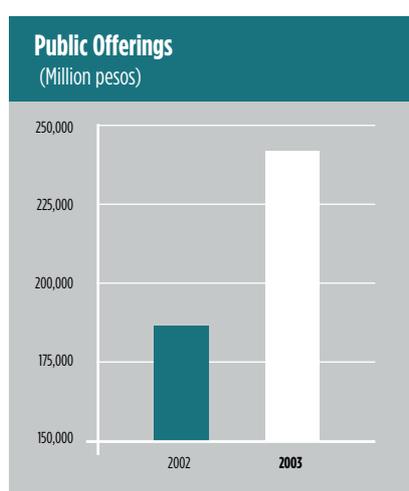
Mutual Funds with the Highest Nominal Yields



Public Offerings

	2002		2003	
	Pesos	Dollars	Pesos	Dollars
Securities Market				
Stock Market	2,651	289	2,218	198
TRACs	1,383	152	2,470	225
Warrants	620	64	869	81
Mutual Funds	49,850	5,160	153,500	14,233
	54,504	5,665	159,056	14,736
Mid & Long-term Fixed Income				
Debentures	1,539	159	420	39
Bankers Bonds	2,000	207	0	0
Participation Certificates	3,926	406	2,839	263
Medium-term & Financial Notes	2,597	269	761	71
"Certificados Bursátiles"	38,770	4,013	79,928	7,411
Highway Indemnification Notes	14,608	1,512	0	0
	63,440	6,566	83,948	7,784
Short-term Fixed Income				
Commercial Paper	58,799	6,086	305	28
Short-term "Certificados Bursátiles"	9,120	944	70	7
	67,919	7,030	376	35
Total	185,863	19,261	243,380	22,555

Million pesos, million dollars



Foreign Investment in the Stock Market

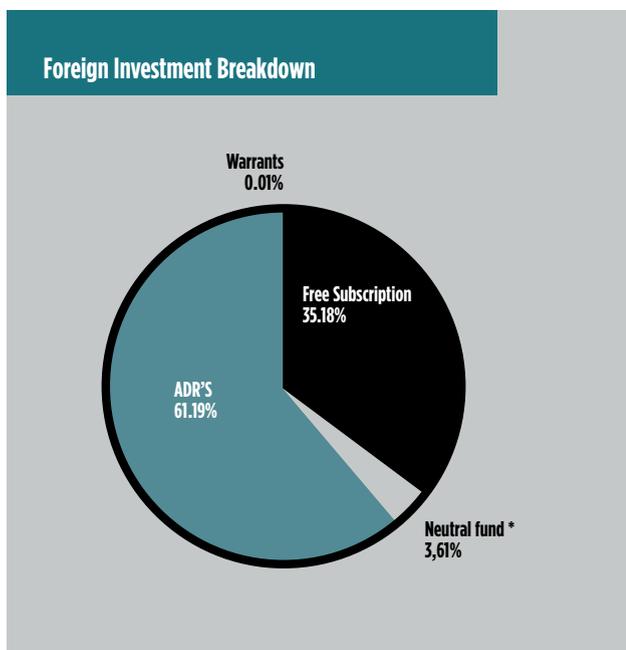
	31-Dec-2002	31-Dec-2003	% Change
Free Subscription (1)	14,969.96	19,883.87	32.83
Neutral fund (2)	1,596.72	2,040.27	27.78
ADR's (3)	27,991.61	34,583.81	23.55
Warrants	5.19	7.93	52.73
Total	44,563.48	56,515.88	26.82

Million dollars.

(1) Includes City Bank third accounts, mutual funds and Fondo México.

(2) Does not include CPO's that back ADR's.

(3) Includes GDR's



* Includes Fondo México.



S.D. INDEVAL

Institución para el Depósito de Valores

- ▶ **S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V. (S.D. Indeval)** is the only company authorized in Mexico to operate as a securities depository under the terms of the Securities Market Act.

▶ Mission

To provide maximum security to the market, in keeping with international risk control standards. We handle all aspects relating to the safekeeping, administration and transfer of securities, without physically moving any certificates or documents. We also handle the clearing and settlement of transactions performed on both the stock and fixed-income markets, seeking the highest benefit for depositors and optimizing the return on our shareholders' investment. Our shareholders are banks, brokerage firms, insurance companies, bonding firms, Banco de Mexico (the Mexican central bank) and the Mexican Stock Exchange.

In carrying out its duties, S.D. Indeval has a highly trained and specialized team of personnel, and high-technology systems that link to its users and to Banco de Mexico's payment systems.



Message from the Chief Executive Officer

In 2003, we at S.D. Indeval focused our efforts on concluding projects begun some time ago. We continued processes relating to the overhaul of payment systems, providing trading and settlement support for new products traded on the Mexican Stock Exchange, and introducing technological improvements that give users more tools to expedite their trading activities.

In connection with changes to the high-value payment system begun by Banco de Mexico two years ago, S.D. Indeval initiated a series of projects, most of which will be completed in 2004. These will reduce systematic risk in the fixed-income market and lower counterparty risk in repo transactions and interbank leveling.

On December 15, 2003, S.D. Indeval introduced new operating hours, and in 2004 it will work on new transactions relating to liquidity repos and collateralized repos, and on recording transactions on a value date or negotiation date.

Among the technological improvements made to institutional systems were a host-to-host connection project, which allowed one major financial group and two brokerage firms to connect their systems directly to those of S.D. Indeval. In 2004, the Institution will continue to work to extend the benefits of this connection to more financial participants.

In addition, in 2003, S.D. Indeval developed a series of tools that allow it to automate processes like the issue of documents using digitized signatures, and on-line monthly account statements on collections for each participant.

In the international sphere, S.D. Indeval played an active role in the Americas' Central Securities Depositories Association, hosting the

March table along with the Canadian Depository for Securities, in the fifth general annual meeting of this Association, held in Cancun. During the meeting, S.D. Indeval was selected to head the Work Committee for the next two years.

As a result of the project headed by the Mexican Stock Exchange, entitled "Mercado Global BMV," a platform introduced in May 2003 to list shares included in the Dow Jones Industrial average in the first phase, and others from European markets, the Institution established trading and custody links with Deutsche Bank AG of New York, which is sponsoring the listing of these companies, and with Deutsche Securities Casa de Bolsa (Mexico). These links will allow efficient international settlement and administration of corporate actions by these issuers.

On the administrative side, S.D. Indeval modified its fee schedule in 2003. The intent was primarily to balance the mix of revenues between trading and custody, and to establish fees more directly related to the cost of supplying the service. It is also intended to preserve the financial strength of the Institution and the nascent Central Counterparty. Our overriding goal was not to bill any more than in the year 2002, to keep our services to the securities market competitive.

Finally, I am pleased to report that the Mexico now has a central counterparty for the securities market. On November 21, 2003, the Ministry of Finance and Public Credit authorized the creation of a new corporation called Contraparte Central de Valores de México, S.A. de C.V.. An internal decision was made to have this institution begin operations in February 2004, in order to conclude all the processes relating to

incorporation, systems testing, and other authorizations necessary for startup.

In the pre-operating period, S.D. Indeval (with a 51% share in the corporation), the Mexican Stock Exchange (27%) and 22 settling agents (21 brokerage firms and one bank, with 22%) made the monetary contributions necessary to create the capital stock of the new corporation, totaling 50 million pesos.

Finally, I should recognize that none of the progress we made 2003, summed up in this message, would have been possible without the support of our Board Members, the Authorities, Trade Associations, and of course, the personnel that make up this Institution. We are confident that we will continue to enjoy their valuable collaboration in facing present and future challenges, in terms of services, systems, costs and innovation, with the security and confidence that has always characterized S.D. Indeval.

Gerardo Mejía Moreno

Committees

Executive Committee

Its principal activities involve proposing strategies and operating mechanisms to the Board of Directors, for maintaining and increasing the services supplied by the institution, as well as plans for publication and dissemination to the securities market of information relating to the safekeeping, administration, compensation for services, settlement and transfer of securities.

MEMBERS:

Guillermo Prieto Treviño
(Chairman)
José Luis Acuña Contreras
Roberto González Barrera
David Aarón Margolín Schabes
Ernesto Ortega Arellano

Data Highlights

Concept	1999	2000	2001	2002	2003	% Change 02/03
Figures as of December 31 of each year						
Documents in custody (units)	38,872	34,971	33,676	29,060	28,434	(2.2)
Total value of deposits (million pesos)	2,922,847	3,088,897	3,815,570	4,130,079	4,598,508	11.3
Equity market	1,827,652	1,724,434	2,020,774	2,003,956	2,529,521	26.2
Money Market	1,095,188	1,364,455	1,794,789	2,126,115	2,068,980	(2.7)
Government	754,982	1,063,383	1,340,414	1,690,818	1,627,903	(3.7)
Banks	340,206	301,072	454,375	435,297	441,077	1.3
Others (metals)	7	8	7	8	7	(12.5)
Accrued figures for each year						
Total Securities Transfers	2,692,332	2,800,619	1,917,494	1,777,693	2,172,735	22.2
For Trade through BMV	1,396,574	1,383,428	1,295,027	1,308,632	1,165,124	(11.0)
For over-the Counter Trades	1,295,758	1,417,191	622,467	469,061	1,007,611	114.8
SIDV-SIAC-SPEUA* Fund Transfers	64,658	68,631	109,800	162,958	124,105	(23.8)
Securities Loan Operations	6,080	6,564	6,975	9,409	8,494	(9.7)
ISIN Codes assigned	3,428	2,931	3,053	2,924	2,775	(5.1)
*SIDV is Indeval's system; SPEUA-SIAC are Banco de México's payment systems						
Daily average (Million pesos)						
Trades Settled	520,820	607,879	746,828	898,309	998,221	11.1
Bank market	365,926	371,749	386,492	384,440	350,424	(8.8)
Government market	151,599	233,022	355,984	511,312	645,300	26.2
Equity market	3,295	3,108	4,352	2,557	2,497	(2.4)
SIDV-SIAC-SPEUA Funds Transfers	150,567	200,205	415,142	655,735	618,694	(5.6)
Total Settled	671,388	808,084	1,161,970	1,554,044	1,616,914	4
Revenues						
Annual Yield on S.D. Indeval share	39.7%	42.8%	30.2%	36.6%	28.0%	(23.5)
Personnel	50	48	49	52	46	(11.5)
Depositors	504	535	547	463	495	6.9

Primary Activities in 2003

Securities custody & administration

In 2003, S.D. Indeval took advantage of its technological infrastructure to automate issuance of generic certificates (used by issuing companies whose shares are on deposit with this institution) and individual certificates for depositors, in both cases necessary for stockholders' meetings. Our objective here was to make these processes more efficient.

To this end, we digitized the signatures of the S.D. Indeval officers that appear on the certificates, automated their issuance and created a folio number for identifying each of them.

In another area, recognizing the financial and market importance of northeast Mexico, and the volume of custody and trading that issuers and depositors from this region handle with our Institution, on May 19, S.D. Indeval re-opened its office in the city of Monterrey.

The basic purpose of this office is to establish closer contact with issuing companies and depositors, giving them a local site where they can access all the services supplied by S.D. Indeval, and which are today in regular use.

Trading and settlement

In 2003, S.D. Indeval devoted much of its efforts to designing and

implementing various applications and processes requested by participants in the money market and the financial authorities.

Although these projects are each very different, they have very similar objectives, and are in some cases interdependent.

The objectives of all of these projects are summed up below:

- Lower the economic cost of settling market transactions and re-balance the mix of revenues at S.D. Indeval.
- Reduce systematic risk and anticipate market liquidity, re-organizing settlement processes and modifying trading hours.
- Reducing the counterparty risk in repo transactions and in the interbank leveling market.
- Concentrating information on the negotiation date.

Most of these projects were carried out in 2003, although they will not be fully operational until 2004. The four most important of these were:

Liquidity repos

Banco de Mexico is in the process of making changes to the high-value payment systems in order to modify the operating mechanisms for credit lines it extends to market participants. The new methodology will involve liquidity repurchase agreements on government securities, which participants will transact through the SIAC system,

and which will be settled in S.D. Indeval's systems just like any other market transaction.

Value Date Transactions

In the money market, unlike the stock market, brokers negotiate amounts, terms and rates, and not specific issues, at the moment the transaction is negotiated the assignment for each transaction is not known, much less for those which are settled at terms (24 or 48 hours). Banco de Mexico bulletin 1-2003 stipulates that trades must be recorded on the date they are negotiated, and this means slight modifications to the trading record systems, but big changes in the way participants operate in the market.

Collateralized Repos

The same bulletin also introduces regulations stipulating that repo transactions must be valued and guaranteed according to volatility risk and counterparty risk. To design this new service model for the market, four collegiate groups were set up, each with a different specialty: trading, risks, legal and administration. These groups are made up of representatives from the Mexican Bankers' Association, the Mexican Securities Industry Association, Banco de Mexico, and executives from S.D. Indeval.

Change in Trading Hours

New trading hours authorized by the



institution's Board of Directors and Banco de Mexico took effect in two phases, the first starting on December 15, encompassing all the changes to the morning and closing hours. This first phase meets two of our primordial objectives: laying the groundwork for the program of changes to the central bank's high-value payment systems, and reducing systematic risk, by first attempting to settle transactions without guarantee or collateral, and which are processed only in two thirty-minute periods on their settlement date.

The second phase, which involves delivery-versus-payment settlement of interbank leveling market transactions, is closely related to the liquidity repo project, through which Banco de Mexico will modify the mechanisms for drawing on credit lines extended to participants, scheduled to take effect in 2004.

With the startup of this project, which involved two years of work together with the financial authorities, the Mexican Bank association and the Mexican Securities Industry Association, we began our participation in the central bank's overhaul of its high-value payment systems, which began in 2001 and will continue until 2006.

International custody & trading

On May 29, 2003, the Mexican Stock Exchange's international quotation system incorporated a new platform called BMV Global Market, listing the shares of 29 foreign stocks included in the Dow Jones Industrial Average. On May 26, they were joined by ADRs of European companies from the STOXX50 index.

Together with Deutsche

Securities Casa de Bolsa (Mexico), the sponsor of these programs, and Deutsche Bank AG of New York, the custodian of the securities, S.D. Indeval made all the operating and logistical adjustments in its systems in order to be able to handle the sub-custody, administration, national and international trading, payment of corporate and equity rights, and tax handling of the securities.

Risk Management

Our risk management and development activities in 2003 were focused on: **(i)** daily operation of the multilateral trading mechanism; **(ii)** the central counterparty project; and **(iii)** new risk management projects for securities lending (Valpre) and collateralized repos.

In the first of these areas, as in previous years, we calculated the guarantees that go to the Irrevocable Stock-Market Settlement Trust on a daily basis.

This past year, the highest level of monthly risk in the market was more than Ps80mn a day, the minimum was around Ps30 million, and the general average was P45mn. This variability in monthly risk levels was due basically to different market trading conditions from month to month.

At the close of the year, this Trust had a position of Ps150 million, which is more than double the average monthly risk level, minimizing the need for additional resources from participants. These funds will later be used to create Guarantee Funds to be contributed to the Central Securities Counterparty when it begins operations.

Finally, together with the Mexican Securities Industry Association and

the financial authorities, S.D. Indeval worked on the design of a securities lending and margin scheme for repo transactions. This can then be used to determine the discounts on margin securities. As part of this scheme, S.D. Indeval currently calculates the value at risk for instruments traded in the capital and money markets.

Mexican Central Securities Counterparty

On July 22, 1998, representatives of the Mexican Securities Industry Association, Board Members and executives of S.D. Indeval, and directors of the companies of Grupo BMV, created an Auditing and Risk Committee, which began the process of creating a central securities counterparty in Mexico. Based on its initial study, the committee found that the clearing and settlement performed by S.D. Indeval should be adjusted to internationally recognized standards, and evolve into a central counterparty that could guarantee daily settlement of transactions in the capital market (in the first phase) through an appropriate system of financial safeguards.

The project's viability was secured in a US\$1.5 million in financing from the Inter-American Development Bank, under a fund-matching agreement that stipulated that for every dollar the IDB paid out, S.D. Indeval must contribute an equal amount.

The Auditing and Risk Committee began by establishing the guidelines and directives for development of the project, which consisted of four phases or fundamental stages:

PHASE 1: New processes for clearing securities and cash, the design and

In 2003, S.D. Indeval devoted much of its institutional efforts in concluding the project and starting up a new subsidiary: the “Mexican Central Securities Counterparty”.

construction of the Trade Clearing System (TCS) and guidelines for risk measurement, including the use of the Riskwatch system for these purposes.

PHASE 2: Start of clearing and settlement based on bilateral netting within the TCS, and creation of a trust to guarantee settlement of defaulted transactions in the stock market.

PHASE 3: The bilateral netting clearing and settlement scheme is changed to multilateral netting, and the scheme to be used for clearing in the central counterparty is defined. Talks begin with the financial authorities on incorporating the concept of central counterparty into the Securities Market Act. A risk system is installed for calculating contributions to the trust using the Value-at-Risk (VaR) methodology.

PHASE 4: The necessary amendments are made to the Securities Market Act approved by Congress in the first half of 2001, to include the legal figure of the central securities counterparty. Changes are made to the operating manual and regulations of S.D. Indeval, and by-laws, a manual, regulation and functional plan are created for the central securities counterparty. Modifications to the TCS are defined based on multilateral clearing, establishing the figure of Clearing Agent.

Guidelines are established for Clearing Agents to contribute margins, calculated for various periods of the day and using a VaR methodology.

In 2003, S.D. Indeval devoted much of its institutional efforts to concluding this project and starting up this new subsidiary.

On the operating side, the necessary modifications to current systems have been designed and developed in order to operate as a central counterparty. The most important aspects have to do with the calculation of margins, registry of trades, and the account structure for settlement. One of the most important issues is the separation of capital market settlement processes to be applied by the central securities counterparty, from those used for settling money market transactions.

On the regulatory side, a group made up of representatives of the National Banking and Securities Commission, Banco de Mexico, the Mexican Securities Industry Association, and S.D. Indeval, concluded the definitive versions of the Internal Regulations and Operating Manual of this new company, and defined its corporate charter.

In addition, S.D. Indeval worked together with the Ministry of Finance and Public Credit on the creation of a clear tax regime incorporating aspects pertaining to the reception and delivery of securities and cash for settlement, interest on investment of the cash margins and on securities lending transactions by the central counterparty to cover past-due obligations. This regime was authorized in the month of November.

In corporate matters, the capitalization and stock structure of the new institution was defined as follows: 51% S.D. Indeval, 1% each

bank and brokerage firm interested in participating in the institution, and the remainder for the Mexican Stock Exchange.

In an official document issued November 21, 2003, the Ministry of Finance and Public Credit authorized the incorporation, organization and operation of a central securities counterparty by S.D. Indeval, the Mexican Stock Exchange, and other corporations mentioned in the application document.

Finally, at the end of the year covered by this report, the formation of the first Board of Directors of the central securities counterparty was in the preparatory phases. This body is expected to begin its activities in the early months of 2004.

Technological advances

In June, we added a new module entitled “S.D. Indeval Electronic Publications System” to our web page. The first version of this system allows participants to look up their collection account statements on line, through the web page at www.indeval.com.mx.

The institution also continued its efforts to allow more direct participants to establish a host-to-host connection with our systems in order to record and process their transactions. Although we still do not have as many participants as we would like in this connection, one entire financial group and two brokerage firms began a host-to-host connection, with good results.

Changes to the fee schedule

In July, S.D. Indeval made changes to its revenue system, based on the following premises:

- Fees should be determined according to the cost of supplying the service, and substantial discounts should be available for volume.
- Continued differentiation of rates applicable to members and participants.
- Balanced mix of revenues between trading and custody.
- Continuing to reduce custody revenues from the capital market, and maintain or increase those from the money market.
- Billing should be no higher than in 2002, to benefit the competitiveness of the market.
- Maintain the financial strength of S.D. Indeval and the forthcoming central securities counterparty

International presence

The Americas Central Securities Depository Association held its fifth general annual meeting in the month of March. S.D. Indeval and the Canadian Depository for Securities (CDS) hosted that meeting, in the city of Cancun.

Among the tasks addressed in the meeting were an analysis and discussion of the recommendations by the Group of 30 regarding custody and settlement of securities within central depositories and clearinghouses. The International Securities Services Association and other institutions participated in this work.

Although S.D. Indeval is not a founding member of that Association, it was invited to participate in the

Committee, heading the Work Subcommittee. Within the Work Subcommittee, S.D. Indeval will coordinate all the activities relating to topics of interest to the Association, as selected by the Executive Committee.

S.D. Indeval's involvement in ACSDA allows us to establish solid links with our counterparts and international peers that set the pace in all the processes known as "post-trade" operations. Thus, we can remain up to date and transmit these benefits to the Mexican financial markets in our own sphere of activity.

Vision for 2004

The year 2004 will bring new challenges for our institution. The startup of the central securities counterparty will focus our efforts on ensuring that this subsidiary efficiently performs out the mission for which it was created, and provides absolute security to performance of transactions carried out on the Mexican Stock Exchange, while preserving the financial solidity of the new enterprise.

On technological matters, we will continue to work on bringing participants into the host-to-host connection program, and automating services that still involve manual processes at the present.

We will also continue our participation in Banco de Mexico's changes to the high-value payment system in the areas of settlement processes and money market transactions. This includes liquidity repos, collateralized repos, and the recording of transactions on the negotiation date.

Financial Information

Summary balance sheet as of December 31, 2002 and 2003

(Constant pesos as December 2003)

	2002	2003	Change	% Change 02/03
Assets				
Current	256,566,561	235,750,538	(20,816,023)	(8.1)
Fixed	86,598,387	112,913,551	26,315,164	30.4
Others	767,407	1,137,909	370,502	48.3
Total Assets	343,932,355	349,801,998	5,869,643	1.7
Liabilities and Stockholders equity				
Short-term	18,810,475	5,724,967	(13,085,508)	(69.6)
Total Liabilities	18,810,475	5,724,967	(13,085,508)	(69.6)
Stockholders Equity	325,121,880	344,077,031	18,955,151	5.8
Total Liabilities and stockholders equity	343,932,355	349,801,998	5,869,643	1.7
Memorandum Accounts				
Third-party cash hand bank accounts	206,763	3,012,824	2,806,061	1,357.1
Securities held in custody	4,021,448,332,082	4,598,501,672,346	577,053,340,264	14.3
Coined metals received in custody	8,219,832	7,374,375	(845,457)	(10.3)

Summary Income Statement as of December 31, 2002 and 2003

(Constant pesos as December 2003)

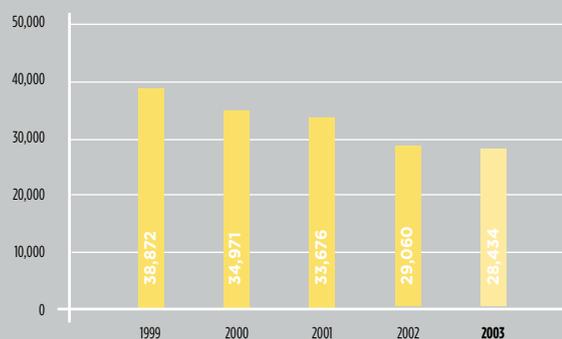
	2002	2003	Change	% Change
Results				
Operating income	169,695,997	167,519,332	(2,176,665)	(1.3)
Operating expenses	58,939,228	73,094,429	14,155,201	24.0
Operating Profit	110,756,769	94,424,903	(16,331,866)	(14.7)
Total Financing cost	4,480,494	4,761,906	281,412	6.3
Other income and expenses	1,563,827	56,075	(1,507,752)	(96.4)
Profit before Taxation	113,673,436	99,130,734	(14,542,702)	(12.8)
Income tax provision	39,485,167	33,267,778	(6,217,389)	(15.7)
Profit before results in associated companies	74,188,269	65,862,956	(8,325,313)	(11.2)
Equity in results of associated companies	4,365,846	8,004,594	3,638,748	83.3
Net income	78,554,115	73,867,550	(4,686,565)	(6.0)
Stock Yield	36.6%	28.3%		

1. Securities Custody & Administration

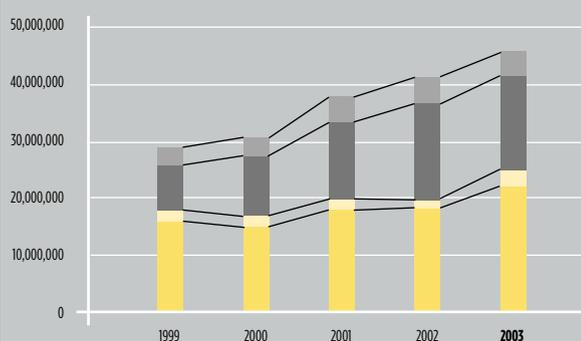
Deposit Value (Million pesos)

	1999	2000	2001	2002	2003	% Change 02/03
Equity Market	1,827,652	1,724,434	2,020,774	2,003,956	2,529,521	26.2
Stocks	1,605,346	1,527,741	1,833,758	1,857,140	2,249,967	21.2
Fixed income	222,306	196,693	187,016	146,816	279,554	90.4
Money Market	1,095,188	1,364,455	1,794,789	2,126,115	2,068,980	(2.7)
Government securities	754,982	1,063,383	1,340,414	1,690,818	1,627,903	(3.7)
Bank securities	340,206	301,072	454,375	435,297	441,077	1.3
Metals market	7	8	7	8	7	(12.5)
Total Value	2,922,847	3,088,897	3,815,570	4,130,079	4,598,508	11.3
Certificates in Custody (Units)	38,872	34,971	33,676	29,060	28,434	(2.2)

Certificates in Custody (Units)



Deposit Value (Million pesos)



- Bank Money Mkt.
- Govt. Money Mkt.
- Fixed-Income Capital Mkt.
- Equity Mkt.

Current Issues

	2000	2001	2002	2003	% Change 02/03
Capital market (Stocks)					
Issues	1,342	1,411	1,436	1,546	7.7
Units (millions)	331,047	412,594	476,053	492,830	3.5
Valuation (million pesos)	1,527,741	1,833,758	2,059,363	2,249,967	9.3
Capital market (fixed-income)					
Issues	259	291	387	527	36.2
Units (millions)	2,879	2,319	3,177	3,520	10.8
Valuation (million pesos)	174,119	187,023	146,824	279,554	90.4
Money Market (Government securities)					
Issues	223	223	216	248	14.8
Units (millions)	36,797	39,286	16,069	38,237	138.0
Valuation (million pesos)	1,008,955	1,340,414	1,218,020	1,627,903	33.7
Money Market (Bank securities)					
Issues	723	729	628	697	11
Units (millions)	226,333	307,215	285,709	267,508	(6.4)
Valuation (million pesos)	378,083	457,375	435,297	441,077	1.3
Total issues	2,547	2,654	2,667	3,018	13.2
Total Units (millions)	597,056	761,414	781,008	802,095	2.7
Total Value (million pesos)	3,088,898	3,818,570	3,859,504	4,598,502	19.1

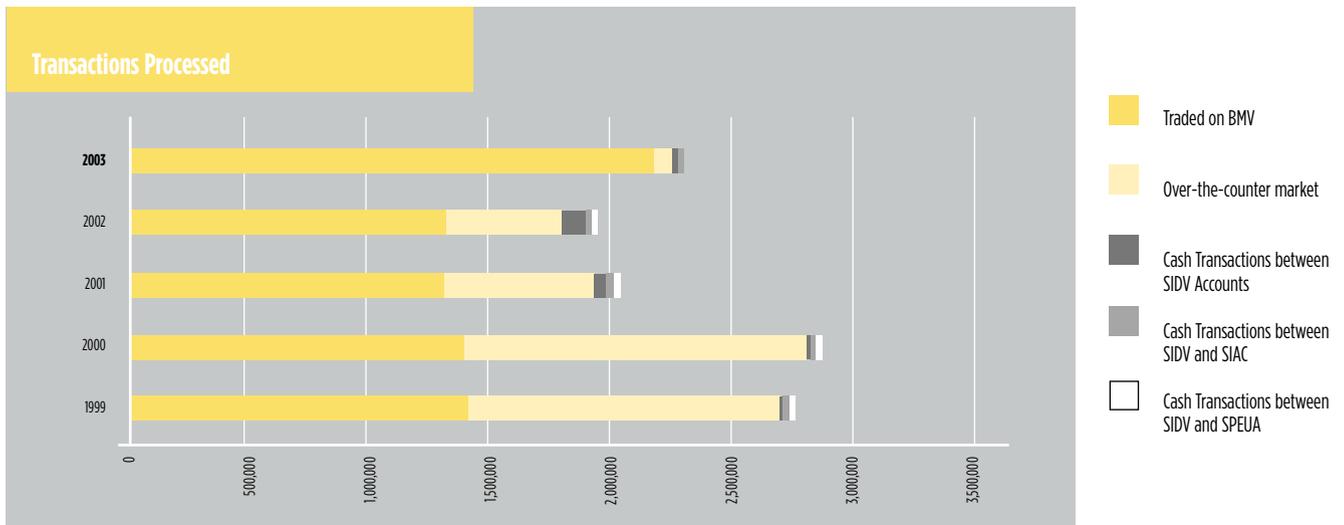
Deposit Value of Instruments Issued Abroad (Million pesos)

	1999	2000	2001	2002	2003	% Change 02/03
Foreign equity	0	0	33,031	32,334	35,508	9.8
UMS	3,201	4,339	4,633	6,652	9,301	39.8
Eurobonds	122	95	302	604	4,695	677.6
Vemex	0	0	0	0	1,174	-
T-Bills	0	0	0	0	125	-
Total	3,323	4,434	37,966	39,590	50,804	28.3

Deposit Value in Foreign Accounts. As of December 31 of each year. (Million pesos)

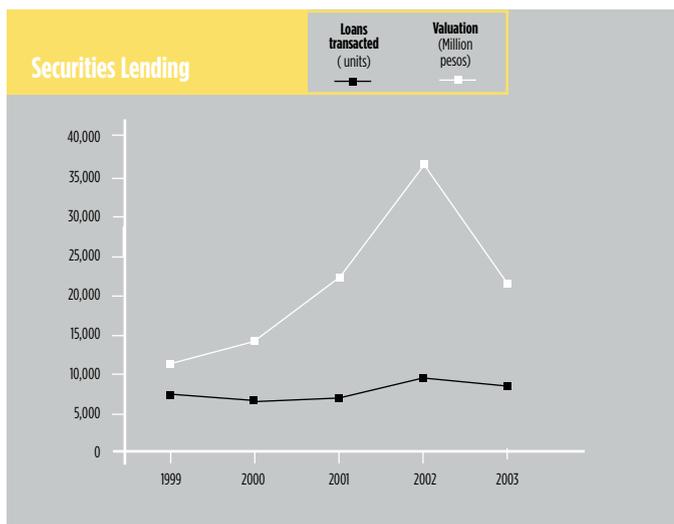
	1999	2000	2001	2002	2003	% Change 02/03
Unrestricted subscription	206,053	179,094	269,993	252,368	323,776	28.3
ADRs	163,907	122,064	127,604	120,825	159,087	31.7
Neutral Fund	42,710	20,341	19,998	16,834	22,547	33.9
Government Securities	1,596	677	1,968	4,863	3,535	(27.3)
Total	414,266	322,176	419,563	394,890	508,945	28.9

2. Trading Activity



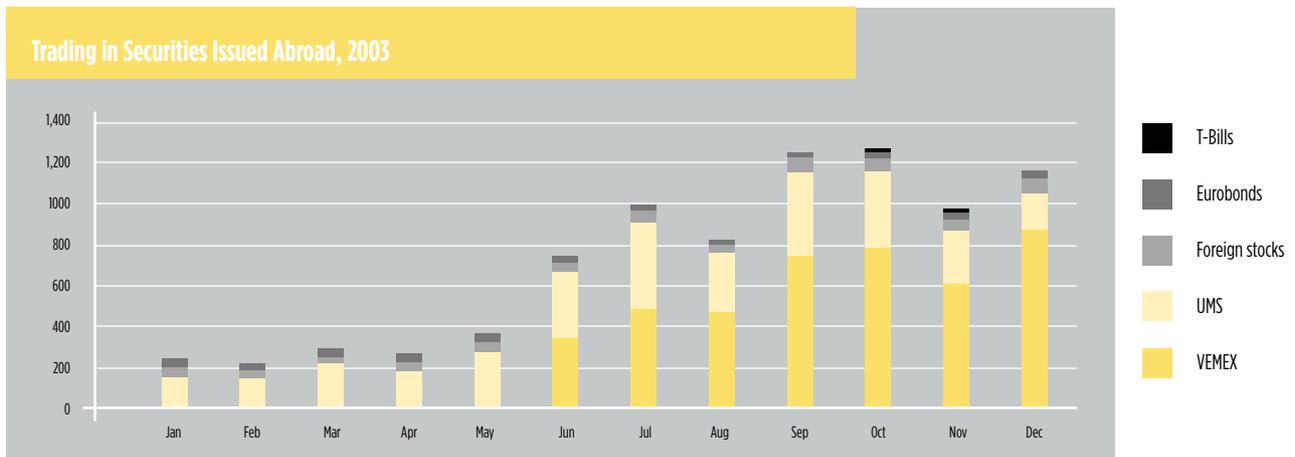
Securities lending

	1999		2000		2001		2002		2003		% Change 02/03	
	Certificates	Pesos										
Securities Loans	7,396	11,156	6,564	14,105	6,975	22,215	9,409	36,702	8,494	21,419	(9.7)	(41.6)
Lending Bids	6,240	10,418	5,508	13,114	6,707	21,235	9,062	35,303	8,241	19,828	(9.1)	(43.8)
Borrowing Bids	1,944	2,090	1,553	1,709	754	2,230	893	3,291	651	2,711	(27.1)	(17.6)



Trading in Securities issued abroad (No. of transactions)

	1999	2000	2001	2002	2003	% Change 02/03
Foreign equity	0	0	398	607	673	10.9
UMS	434	688	970	1,470	3,188	116.9
Eurobonds	37	39	74	272	363	33.5
VEMEX	0	0	0	0	4,340	-
T-bills	0	0	0	0	8	-
Total	471	727	1,442	2,349	8,572	264.9



3. Settlement

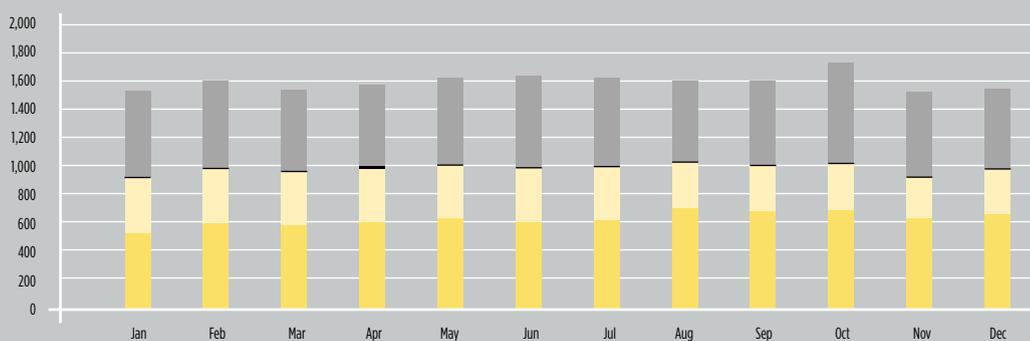
Value Settled (Daily average, Million pesos)

	2000	2001	2002	2003	% Change 02/03
Total settled	607,879	746,828	898,309	998,221	11.1
Bank securities	371,749	386,492	384,440	350,424	(8.8)
Government securities	233,022	355,984	511,312	645,300	26.2
Equity Market	3,108	4,352	2,557	2,497	(2.3)
Fund Transfer between SIDV-SIAC-SPEUA	200,205	415,142	655,735	618,694	(5.6)
Funds required at end of day	10,730	11,336	14,434	19,816	37.3
Total amount of credit line	217,491	211,034	204,429	209,182	2.3

Daily Settlement Average (Billion pesos)

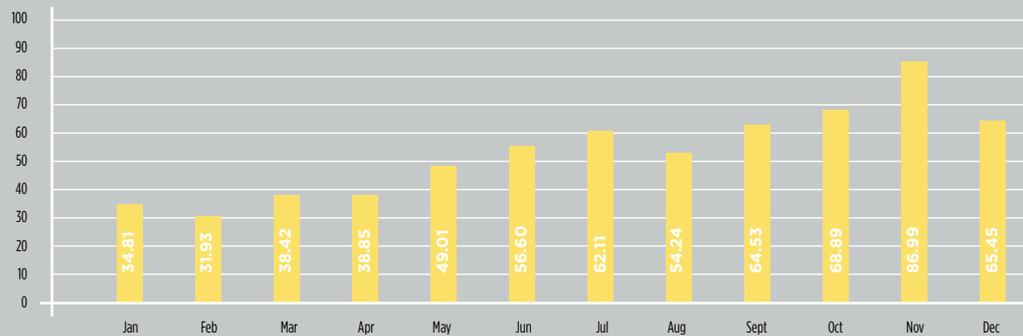


Breakdown of Daily Settlement Average (Billion pesos)



4. Risk Management

Minimum Margin Required VaR historic series, 252 observations, 99% level of confidence



Minimum required margin in 2003 (Million pesos)

Jan	34.81
Feb	31.93
Mar	38.42
Apr	38.85
May	49.01
Jun	56.60
Jul	62.11
Aug	54.24
Sep	64.53
Oct	68.89
Nov	86.99
Dec	65.45

Defaults in 2003

	Transactions	Million pesos
Jan	46	8
Feb	70	12
Mar	82	13
Apr	11	2
May	61	22
Jun	23	5
Jul	36	3
Aug	58	12
Sep	20	3
Oct	87	20
Nov	170	29
Dec	136	35
Total	800	164

Defaulted Transactions



5. Depositors

Depositors

	1999	2000	2001	2002	2003	% Change 02/03
Brokerage Firms	31	32	29	26	29	11.5
Banks*	59	61	56	42	48	14.3
Insurance and Bonding Firms	47	45	45	11	10	(9.1)
Foreign entities	32	45	33	3	3	0
Mutual Funds	318	335	366	366	389	6.3
Pension Funds (Retirement funds & managers)	16	15	16	14	15	7.1
Others (IPAB)	1	2	2	1	1	0
Total	504	535	547	463	495	6.9

*Includes Mexico Central Bank



MexDer

Mercado Mexicano de Derivados S.A. de C.V.

■ **MexDer, Mercado Mexicano de Derivados, S.A. de C.V. (MexDer)** is the Mexican Derivatives Exchange, which began operations on December 15, 1998. Its main purpose is to provide mechanisms and set up procedures for the orderly trading of futures and options contracts, in strict compliance with current regulations. MexDer is a self-regulatory institution that operates under the supervision of the Ministry of Finance and Public Credit, the National Banking and Securities commission and Banco de México.

■ Mission

To promote the growth of the Mexican derivatives markets according to the needs of companies, investors and the financial system in general, developing tools to facilitate hedging, risk management and efficient handling of investment portfolios, offering clear, above-board, and fair procedures for all participants.

■ Vision

To position MexDer as the best alternative in Mexico for trading financial derivatives. To encourage professionalism and quality in our work, based on MexDer's solid reputation and image. To communicate the solidity and security this market offers the participants who take part in it, as well as its usefulness to society at large, as a dynamic element in the growth and competitiveness of Mexico.

Message from the Chief Executive Officer

After five years of operations, MexDer can look back on some very encouraging results, which have made it the largest and fastest-growing market in the Mexican financial system, and the fastest-growing market for exchange-rate derivatives in the world, according to statistics by the International Options Market Association (IOMA).

A closer look at our results in the year 2003 show that this market doubled trading volume, tripled net profits, and quadrupled open interest.

We were able to obtain these successes by closely following each of the six strategic guidelines this Exchange adopted in May of 2002, which remained in effect until 2003, in order to create a continuous business plan. These are:

1. Consolidation
2. Regulations and taxes
3. Promotion and training
4. New products
5. Alliances
6. Operating costs

During this past year, we focused our efforts on pursuing each of these points. We cannot help but recognize, however, that constant operating adjustments, legal modifications and the promotion of the market generated greater interest among brokers and institutional investors in using derivatives, and in their need for the derivatives market, which was also a force in the market's growing maturity.

On the trading side, we sought out a balance in the instruments traded on the Exchange. To this end, we encouraged market makers to begin participating in instruments outside of the money market, such as in futures contracts on the Mexican Stock Exchange's Price and Quotations Index (IPC). If we compare the notional value traded

in this type of contract with the value traded in the most marketable stocks on that exchange, we find that IPC futures were the sixth most actively traded instruments in 2003. At the same time, trading intensified considerably in the CETES future contract due to the commitment of a greater number of market makers.

We want to keep growing, offering more and better alternatives to the investing public. For this reason, on June 2, 2003, we signed a joint venture agreement with the Spanish Futures and Options Market (MEFF), in order to create an options market in Mexico that would, among other advantages, make optimum use of the trading system, shorten times, cut costs, create synergies and share experiences in this area, as well as open the possibility for cross listings on both markets.

Because of its magnitude, the complexity of its realization, and the benefits it will bring to the Mexican financial system, this has become the most ambitious project ever taken on by this Derivatives Exchange, in which MexDer acquired a license for the MEFF options trading system, known as S/Mart. In addition, as a sign of its long-term commitment to develop an options market in Mexico, MEFF acquired 7.5% of the equity of the new company.

In this context, options trading is set to begin on MexDer in the month of March 2004, with the listing of options contracts on the IPC and on some of the most traded stocks on the Mexican Stock Exchange.

This association is the first in history to be created between a Mexican exchange and an international peer. It offers valuable experience in exploring new alternatives for the future, in light of the growing integration of the markets around the

world, a process that intensified toward the end of 2003. This trend is very likely to continue, and even the biggest markets will become part of new blocks.

Although this "internationalization" is becoming more important every day, obliging us to seek a more active presence, it is clear that our first priority is to serve and develop the local market, with products that meet the needs of our investors and businessmen.

The high level of specialization achieved by the people who work in this Exchange is one of our biggest assets, and it has been a cornerstone in our results. In 2003, all of MexDer's personnel underwent technical and academic preparation for the listing of Options.

The past year was a very important one for MexDer in terms of the results obtained. It fortified our commitment to continue working to make our market grow, to bring in the most ideal instruments for participants, to expand the base of investors, and to maintain institutional coordination with our clearing house, Asigna, Compensación y Liquidación. We intend for all of this to bring greater benefits for the Mexican financial system, for our shareholders, and for our personnel.

Jorge P. Alegría Formoso

Board of Directors

Institutional Board Members

BOARD MEMEBERS

Fernando Concha Ureta
Felipe de Yturbe Bernal
Patrick Doucet Leautaud
Alfonso García Macías
Juan Luis Mayordomo Saugar
Guillermo Prieto Treviño
Marcos Ramírez Miguel

ALTERNATES

Jorge E. Alonso Olivares
Alfredo González Rivera
Carlos Herrera Prats
Héctor Lagos Dondé
Rafael Mac Gregor Anciola
Gerardo Minjares Calderón
Ernesto Retana González

Independent Board Members

BOARD MEMEBERS

Guillermo Díaz de Rivera Álvarez
Salvi Folch Viadero
Alejandro Hernández Delgado
Juan Manuel Pérez Porrúa
Alberto Saavedra Olavarrieta
Hernán Sabau García
Fernando Solís Soberón
Martín Werner Wainfeld

ALTERNATES

Mario Arreguín Frade
Efrén del Rosal Calzada
Samuel García-Cuéllar Santa Cruz
Jaime Gutiérrez de la Peza
Humberto Moreira Rodríguez
Luis Pérezcano Díaz
José Trueba Fano
Francisco Venegas-Martínez

Chairman

Guillermo Prieto Treviño

Vice Chairmen

"A" Patrick Doucet Leautaud
"B" Marcos Ramírez Miguel

STATUTORY AUDITOR

Guillermo Roa Luvianos

ALTERNATE AUDITOR

Roní García Dorantes

REGULAR SECRETARY

Hugo A. Contreras Pliego

SECRETARY PRO TEM

Rafael García Job

Committees

Executive Committee

MEMBERS:

Guillermo Prieto Treviño
(Chairman)
Fernando Concha Ureta
Patrick Doucet Leautaud
Rafael Mac Gregor Anciola
Alberto Saavedra Olavarrieta
Hernán Sabau García

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MEMBERS:

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Luis Enrique Estrada Rivero
Juan Icaza Fernández del Castillo
Emilio Ramírez Gámiz Casillas
Alberto Saavedra Olavarrieta
Hernán Sabau García

Admission & New Products Committee

MEMBERS:

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(Chairman)
Alejandro del Valle Morales
Eligio Esquivel Llantada
Alfonso García Araneda
Luis Manuel Garibay Laurent
Juan Icaza Fernández del Castillo
Sergio Alejandro Islas Pérez
José Antonio Ordás Porras

Promotion Committee

MEMBERS:

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(Chairman)
Alejandro Bornacini Hervella
Alfonso de Lara Haro
Jaime Díaz Tinoco
Alfonso García Araneda
Rodolfo Liaño Gabilondo
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Alfonso de Lara Haro
Amilcar Antonio Elorza y Alegría
Eligio Esquivel Llantada
Federico Flores Parkman Noriega
Arturo Rojas Ruvalcaba
Hernán Sabau García
Beatriz Valadez Bautista

Discipline & Arbitration Committee

MEMBERS:

Eduardo Facha García
(Chairman)
Alejandro Delgado Fernández
Jorge Lazalde Psihas

Auditing Committee

MEMBERS:

Nicolás Olea Zazueta
(Chairman)
José Luis García Manzo
Fernando Morales Gutiérrez
Tomás Peraza Prieto

Clearinghouse Committee

MEMBERS:

Luis González Pérez-Yáñez
Aurelio Cervantes Lupián
Jaime Ledesma Rodarte
Raúl Ruiz Rubio

Primary Activities in 2003

In 2003, the institutional efforts of MexDer followed the six strategic lines of action this Exchange adopted in May 2002, in order to ensure a continuous plan of business. The following sums up the actions and results in each area.

First Strategic Guideline: Consolidation

Perhaps one of the most difficult elements to quantify is the consolidation of the market or the Exchange itself, especially considering that there is still a lot of work to be done on enhancing market depth, awareness and

general interest in derivatives among Mexico's investing public. Here, figures can be a useful tool to shed light on the topic.

Trading volume, which is often viewed as the best way to analyze the growth of a derivatives market, totaled 173.8 million contracts in 2003, equivalent to a notional value of 17,200 billion pesos, and 106% higher than the volume reported for the previous year.

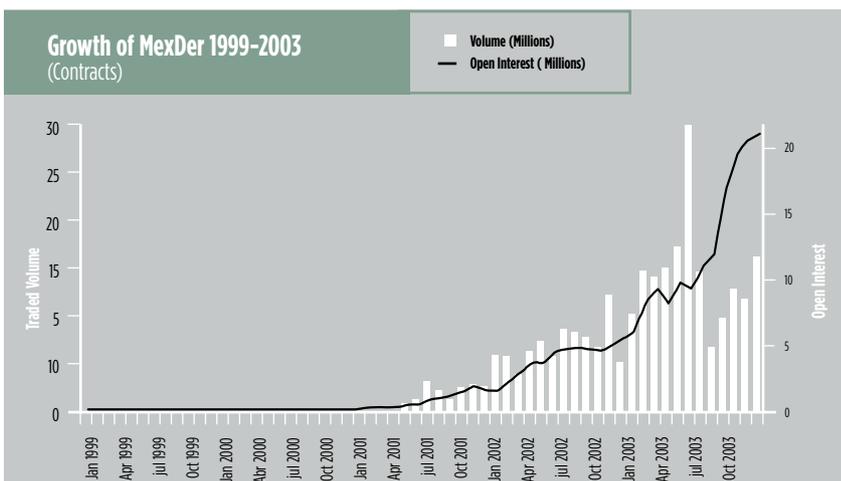
A more relevant indicator for observing the market's development is open interest, since while volume indicates market liquidity, open interest is an indicator of its depth.

This figure went from 5.4 million contracts in 2002 to 20.5 million in 2003.

	Total 2003	Total 2002	% Change 2003 Vs. 2002
Volume (Contracts)	173,820,951	84,274,979	+106%
Value (Pesos)	\$17.2 Billions	\$8.4 Billions	+105%
No. trades	107,744	52,209	+106%
Open Interest	20,487,211	5,397,109	+280%

These figures allowed MexDer to feature among the international derivatives market statistics for the first time. In 2003, the International Options Market Association (IOMA) ranked MexDer the fastest-growing market for interest rate derivatives, and the sixth in terms of futures trading volume. It also appears in the statistics of the Futures Industry Association (FIA) and the World Federation of Exchanges (WFE).

The year also saw a more diverse mix of instruments traded, the result of intense promotion by the trade and by product, which brought in more brokers interested in participating in MexDer. One particularly interesting aspect was the entry of brokerage firms as market makers for derivatives on the Mexican Stock Exchange's IPC index—formerly, brokerage firms



were not widely represented on MexDer. This, the biggest increase over the previous year was seen in futures contracts on the leading Mexican stock market index.



"MexDer-MEFF"
Joint Venture Agreement
June 2nd, 2003

Trading Mix

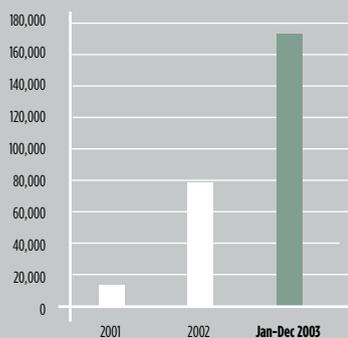
	Monthly Average 2003 Contracts	%	Monthly Average 2002 Contracts	%	Average % Change 2003 Vs. 2002
TIIE 28	13,506,443	93.19	6,716,289	95.63	101.10
CETES 91	949,045	6.55	297,413	4.23	219.10
DEUA	6,783	0.05	4,342	0.06	56.20
IPC	18,395	0.13	4,104	0.06	348.26
M3	390	0.00	768	0.01	(49.18)
M10	12,960	0.09	-	-	-
Total	14,494,016		7,022,915		106.38

Open Interest

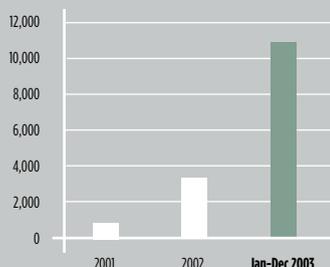
	December 2003 Contracts	%	December 2002 Contracts	%	Var % Change 03 Vs Dec 02
TIIE 28	20,408,853	99.62	5,319,792	98.57	283.64
CETES 91	66,500	0.32	72,000	1.33	(7.64)
DEUA	3,339	0.02	3,833	0.07	(12.89)
IPC	2,319	0.01	1,484	0.03	56.27
M3	0	0.00	0	0.00	0.00
M10	6,200	0.03	N.A.	-	N.A.
Total	20,487,211		5,397,109		279.60

Futures Contracts Volume Traded (Thousand Contracts Traded)

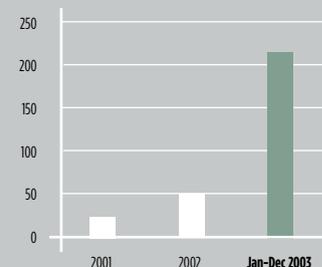
Volume Traded TIIE



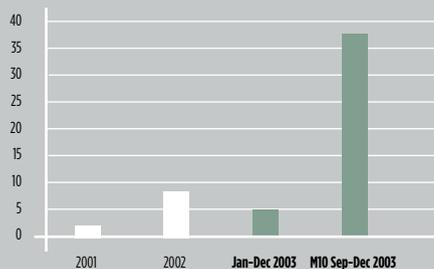
Volume Traded CETE



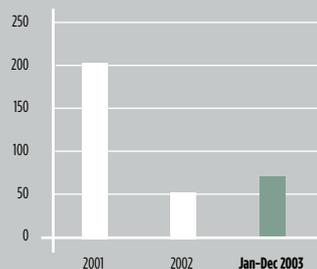
Volume Traded IPC



Volume Traded M3 y M10



Volume Traded DEUA



As a part of an effort to support the launch of new products, MexDer held practical seminars for current and potential clients.



Second Strategic Guideline: Regulations and Tax matters

As a self-regulatory institution, MexDer is continually reviewing its rules and regulations to ensure that they reflect prevailing market conditions and are consistent with sound market practices. Although it is self-regulatory by nature, some changes in MexDer regulations must be approved by financial authorities, while others must simply be communicated to the authorities.

Making use of its faculties, MexDer made changes with the above objectives in mind, including a new methodology for determining closing prices for futures on the 28-day TIIE and the 91-day CETE, as well as other measures taken to improve practices at expiration for these instruments.

Through this period, MexDer took the appropriate steps with the financial authorities in matters pertaining to:

- The issuance of National Banking and Securities Commission Bulletin 10-266 for Brokerage Firms regarding proprietary trading in the exchange rate.
- Allowing specialized retirement mutual funds (Siefors) to trade on MexDer.
- Changes to the tax rules on the dollar for individuals who trade futures.
- Tax-exempt status for IPC futures gains for individuals.
- Modifications to MexDer's Internal Regulations, given greater faculties to certain officers, among others.
- Operating change and modifications to the General Contract conditions on a variety of

contracts, adjusting them to current trading conditions.

Regarding the Options project, we presented the appropriate changes to the Internal Regulations and Operating Manual of MexDer, as well as the General Contract Conditions, to extend their application to these new products.

In another area, we made substantial progress toward allowing mutual funds to participate in the derivatives market, and we also worked with the authorities on the subject of global accounts, known internationally as "omnibus accounts," which will make it easier for foreign investors to trade on MexDer.

Third Strategic Guideline: Promotion and Training

As we mentioned above, the increase in volume was in part the result of MexDer's promotion by trade, by product and by institution, all of which brought in new participants. In this context, MexDer executives participated as presenters in a number of forums, among the most important of which were the Forex Convention, meetings of the Mexican Association for Retirement Fund Managers (AMAFORE), the Association of Financial Executives and Managers of the Insurance Sector (AFASA), the Mexican Finance Executives Institute (IMEF), the Mexican Brokerage Firms Association (AMIB), and the Mexican Association of Insurance Institutions (AMIS). In the academic sphere, we were present in events with twenty of Mexico's most prestigious higher educational institutions.

As part of our effort to support

the launch of new products, we held practical seminars for current and potential institutional clients.



In order to encourage greater interest in the academic and financial worlds in the study, analysis and solution of cases that would contribute to the development of the Mexican derivatives market, in April 2003 we issued the first call for entries for the National MexDer Prize, which was disseminated throughout Mexico in more than 150 universities and higher educational institutions.

The experience was a highly positive one: we received 44 papers of very solid quality, in various areas of academe and in a variety of higher educational institutions in Mexico. The jury selected two of these in a tie for first place; the second place was not awarded, and two honorable mentions were given.

The success of this first prize motivates us to seek out a broader interest and participation by more students, researchers and practitioners of this fascinating field, making a decisive contribution to the development of the derivatives market. Our intention is to obtain more feedback from the academic community while positioning these contests as an award for quality and prestige in the financial sphere, attractive to participants beyond the economic value of the prize.

In October, having completed one year of publication, the bimonthly supplement entitled

“Cubriendo el Futuro” (Covering, or Hedging, the Future) increased its publication run from 37,000 to 184,000 copies, when it began to be published simultaneously in the daily newspapers El Economista and El Financiero. This growth gave the publication greater force in promoting the market. We were also successful in opening new space for publicizing the market in the print media, radio and television.

Fourth Strategic Guideline: New Products

Two new products joined the market in 2003: futures on the 10-year Fixed-Rate Federal Government Development Bond (the M10) on September 22, and futures on Investment Units (UDIs) on October 13.

In the first case, the results were highly satisfactory: in three months and 10 days, 38, 279 contracts were traded, seven times more than the 12-month trading volume of 3-year Fixed-Rate Federal Government Bonds (the M3).

The UDI futures contract was not traded in 2003, however. Our members are working on updating systems and this new instrument is expected to begin trading in the first four months of 2004.

Options

Another part of our efforts to bring new products into the market was our activity in analyzing instrumentation of an options market in Mexico and presenting a proposal to the Board of Directors of MexDer. Because of its long-term importance, we see this as the most ambitious project ever undertaken on this Exchange, and by March 2004, these new products are expected to begin trading.

Options trading will revolutionize the Mexican financial system in many ways. Options are more versatile tools than futures, and more easily understood by the general public, because they work as an insurance, in which the buyer of a hedge may, in exchange for a premium paid, choose at a future date whether or not to exercise the right they have acquired at the agreed-upon price.

Also among the many activities

involved in this project, we worked together with the MEF Institute and Asigna to develop a course that would fit the needs of our market. During the months of October and November, 93 professionals were trained and 74 were certified in the various market activities.

The listing of option contracts in March 2004, the first phase of which will be on underlying assets in the equity market, will help generate a virtuous circle with the cash and futures markets, helping to strengthen and integrate our local markets.

Fifth Strategic Guideline: Alliances

The Joint Venture Agreement between MexDer and MEF, which is mentioned in the letter from the Director General, was the result of a meticulous analysis of other markets and their trading systems, a process in which MexDer and Bursatec participated jointly (Bursatec is the systems company of Grupo BMV). Among the points we examined were the trading system, technology and market model, cost, implementation difficulty, communications and operating model. The results of this analysis showed the Spanish market to be most similar to conditions in the Mexican market, and to best meet the needs of the project and friendly operation of the system.

To implement this project, a series of joint visits were held with officials of both Exchanges, also involving executives from Asigna and Bursatec, in order to make the necessary adjustments to the system. According to the project's critical path, in which all the above institutions took part, as of December it was 86% complete.

Sixth Strategic Guideline: Operating Costs

Since the start of 2002, we worked jointly with the companies that make up Grupo BMV in order to define lines of service in the systems area, and to identify and better assign the costs of the services supplied among the companies of the Group to which MexDer belongs. As a result, the budget for 2003, and certainly for 2004, already include the complete

operating costs of the company. In addition to personnel costs, a clear and firm agreement on services (which can still be improved) with Bursatec represented considerable progress, since our activities depend heavily on technology.

Despite the increase in trading volume, the listing of new products, and the intensification of activities in connection with the development of the options market project, our staff was not increased.

Pending issues

Although this company is proud of the achievements of 2003, there are still some highly important issues remaining to be resolved, attention to which has been included in the MexDer business plan for 2004.

These are:

- In the area of market regulations, the incorporation of mutual funds into the derivatives market, and a more effective regulation.
- In the area of tax matters, an internationally competitive regime (elimination of withholding tax), paired trades similar to swaps, and the definitive tax exemption of gains from IPC and stock derivatives.
- In the trading area, we continue to seek out ways to promote transparency, confidence and trading security, in the regulatory and legal framework, as well as in operating and contingency systems.
- As regards trading and promotion, we intend to encourage greater interest in the derivatives market in various niches, and to find more ways to communicate information about MexDer to the public.

▀ Vision for 2004

The listing of options contracts is a strategic project for the consolidation of a derivatives market in Mexico. The initial phase included the listing of options contracts based on the Mexican Stock Exchange's Price and Quotations Index (IPC), and some of the most marketable individual stocks listed on that market.

We believe that the startup of an Options market will generate a virtuous circle between the futures, options and cash markets, helping

them to better integrate and take advantage of their complementary features.

On the subject of dollar futures, we will work to intensively promote new trading mechanisms that will allow for paired trades, and will allow market makers to participate in this type of contract, increasing liquidity in the market.

The entry of institutional investors like retirement funds and mutual funds will be of tremendous importance to

this Exchange, since they will test our competitiveness with other markets and our operating efficiency. At the same time, they will provide the catalyst for increasing the depth of our market.

Clearly, 2004 poses significant challenges, and we are resolved to confront them successfully, strengthening MexDer and its participants.



Shareholders / Members

- Arbitraje Derivados, S.A. de C.V.
- Banco Internacional, S.A., Institución de Banca Múltiple, Grupo Financiero Bital
- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Fideicomiso 13928-7
- Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, Fideicomiso 14016-1
- Banco Santander Mexicano, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin
- Banca Serfin, S.A., Institución de Banca Múltiple, Grupo Financiero Santander Serfin, Fideicomiso GFSSLPT
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Fideicomiso F/29763-0
- BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Fideicomiso F/29764-8
- Bolsa Mexicana de Valores, S.A. de C.V.
- Carson & Brasch Trading Company, S.A. de C.V.
- Casa de Bolsa Banorte, S.A. de C.V., Grupo Financiero Banorte
- Citibank México, Grupo Financiero Citibank, Institución de Banca Múltiple
- Dalami Corredores, S.A. de C.V.
- Darka, S.A. de C.V.
- Delta Derivados, S.A. de C.V.
- Derfin, S.A. de C.V.
- Deutsche Securities, S.A. de C.V., Casa de Bolsa
- Finamex Casa de Bolsa, S.A. de C.V., Grupo Financiero Finamex
- Fopsa, Futuros y Opciones de México, S.A. de C.V.
- Futuros y Opciones de La Serna y Asociados, S.A. de C.V.
- García, Macías, Araneda y Asociados, Gamaa Derivados, S.A. de C.V.
- GBM, Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa
Grupo Financiero GBM Atlántico
- Interactive Brokers Grupo, Llc
- Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa
- Invex, Casa de Bolsa, S.A. de C.V., Invex Grupo Financiero
- Ixe Derivados, S.A. de C.V.
- Maxder, S.A. de C.V.
- Merrill Lynch México, S.A. de C.V., Casa de Bolsa
- Mexinder, S.A. de C.V.
- Monex Derivados, S.A. de C.V.
- Multivalores Casa de Bolsa, S.A. de C.V., Multivalores Grupo Financiero
- Opciones y Futuros de México, S.A. de C.V.
- Operadora de Derivados Serfin, S.A. de C.V.
- Operadora de Derivados Tíber, S.A. de C.V.
- Plusder, S.A. de C.V.
- Scotia Inverlat Derivados, S.A. de C.V.
- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Fideicomiso No. 101667
- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Fideicomiso No. 101776
- Servicios y Asesoramientos Financieros, S.A. de C.V.
- Sociedad Operadora de Futuros y Opciones, S.A. de C.V.
- Stock & Price, S.A. de C.V.
- Valores Mexicanos Casa de Bolsa, S.A. de C.V.
- Value, S.A. de C.V., Casa de Bolsa, Value Grupo Financiero
- Vertex, S.A. de C.V.

MexDer Participants

Who trades on MexDer?

Traders

Banco Nacional de Comercio Exterior, S.N.C.
Banorte Casa de Bolsa, S.A. de C.V.
Darka, S.A. de C.V.
Delta, Derivados, S.A. de C.V.
DerFin, S.A. de C.V.
GAMAA Derivados, S.A. de C.V.
GBM Casa de Bolsa, S.A. de C.V.
GFD, S.A. de C.V.
Monex Derivados, S.A. de C.V.
Multivalores Casa de Bolsa, S.A. de C.V.
Operadora de Derivados Serfin, S.A. de C.V.
Scotia Inverlat Derivados, S.A. de C.V.
SERAFI Derivados, S.A. de C.V.
Stock & Price, S.A. de C.V.
Valores Mexicanos Casa de Bolsa, S.A. de C.V.

Clearing Members

Banco Nacional de México, S.A.
BBVA Bancomer, S.A.
Santander-Serfin, S.A.
Scotiabank Inverlat, S.A.

Market Makers

Institution	TE28	CE91	DEUA	M3	M10	Equity	IPC
Banca Serfin, S.A.	•	•		•	•		•
Banco del Centro, S.A. GF Banorte	•	•					
Banco Internacional, S.A., Institución de Banca Múltiple, Grupo Financiero Bital (Ahora HSBC México, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero HSBC)							
Banco JP Morgan, S.A	•						
Banco Nacional de México, S.A	•	•		•	•		•
Banco Santander Mexicano, S.A.	•	•					
Banorte Casa de Bolsa, S.A. de C.V.							•
BBVA Bancomer, S.A.	•	•	•	•	•	•	•
Deutsche Bank México, S.A.							
Finamex Casa de Bolsa, S.A. de C.V,	•	•		•	•		
GBM Casa de Bolsa, S.A. de C.V.							•
ING Bank (México), S.A.	•	•		•			
Invex Casa de Bolsa, S.A. de C.V.	•	•		•			
IXE Banco, S.A.	•	•					•
Monex Casa de Bolsa, S.A. de C.V.	•	•	•		•		
Multivalores Casa de Bolsa, S.A. de C.V.	•	•					
Nacional Financiera, S.N.C.	•	•		•	•		•
Scotia Inverlat Casa de Bolsa, S.A. de C.V.							•
Valores Mexicanos Casa de Bolsa, S.A. de C.V.	•	•		•	•		•

Corporate Officers

Jorge P. Alegría Formoso
Chief Executive Officer

Luis Armando Acevedo Gómez
Operations

Rodolfo Liaño Gabilondo
Promotion

Carlos Neda Landázuri
Comptroller



ASIGNA

Compensación y Liquidación

Asigna, Compensación y Liquidación (Asigna) is an administration and payment trust created in 1998 through BBVA Bancomer, whose purpose is to serve as a counterparty in transactions performed on the Mexican derivatives market (MexDer, Mercado Mexicano de Derivados, S.A. de C.V.).

The legal trust creators, or trustors, are institutions belonging to Mexico's leading financial groups: Banamex-Citigroup, BBVA Bancomer, and Santander-Serfin, and Scotiabank Inverlat, which act as clearing members in the derivatives market. BBVA Bancomer and S.D. Indeval (the national securities depository), also serve as equity trustors.

The central duties of this institution are:

- Serving as counterparty with banks, brokerage firms or clients, with respect to transactions made by clearing members on MexDer, on behalf of such parties.
- Recording and clearing transactions performed on MexDer.
- Settling contracts in which it serves as counterparty on a daily basis and at expiration, including the delivery and reception of all securities and/or currency generated through these contracts.
- Calculating and administrating initial margins and position limits, determining discounts, and any other risk management policy it deems appropriate.
- Administering, maintaining custody of and investing the resources that make up the Clearing Fund and Margin Fund.
- Managing and supervising market risk.
- Taking the necessary measures in the event of default or insolvency by a clearing member.

Mission

To offer clearing, settlement, and risk management services acting as central counterparty in derivative financial transactions; to provide participants with the highest level of safety, transparency and creditworthiness at competitive prices; to contribute to the orderly development of the derivatives market; and thus to contribute to a stronger financial system for Mexico, operating efficiently and profitably and with the highest standards of technology and professional qualification.

Vision

To serve as a clearinghouse for derivative trading whose creditworthiness is consistent with the highest national and international standards, supplying international-quality services in keeping with prudent risk management and control procedures.

Message from the Chairman of the Technical Committee

In December 2003, Asigna, the clearinghouse for the Mexican derivatives market, completed its fifth year of operations. In these five years, we know that the market went through an initial period of ups and downs and uncertainty, which ended when trading mechanisms were fine-tuned and we had amassed a base of traders convinced of the benefits of a standardized market, and above all, of the role played by a clearinghouse in reducing counterparty risk. From that point on, the market has seen truly surprising growth.

Although some of this growth can be attributed to a better understanding of the standardized market and to a deeper knowledge of risk management among institutions and clients, it is also true that the excellent work of Asigna in risk management, trading, resource management and market oversight and surveillance over the past five years has been fundamental in its position as an institution with excellent credit quality.

We were therefore not surprised when Asigna earned local credit rating “AAA” in 2003 from the three most important rating agencies: Fitch, Moody’s and Standard & Poor’s—and a BBB/A-2 rating on the global scale from Standard & Poor’s. This level of approval will help the standardized derivatives market to become an increasingly attractive alternative for financial institutions, which now encounter lower counterparty risk when trading on the Mexican derivatives market.

The growing importance of Asigna’s duties and projects led the Technical Committee to make some basic structural changes in 2003, aimed at enhancing its operating solidity and guaranteeing the successful execution of its projects.

One such decision was to appoint a full-time Chief Executive Officer, engaged exclusively in seeing to the business of the clearinghouse. We also decided to create an in-house risk management area to work exclusively for Asigna. Our operating expectations and the importance of our responsibilities were well worth the price of giving up the administrative synergies we formerly enjoyed with S.D. Indeval. We parted ways with this institution with due recognition of our gratitude to it.

With the supervision and support of the Technical Committee, the CEO carried reorganized Asigna’s duties. The purpose was to facilitate the integration of trading responsibilities with development, strengthen the areas of fund management and treasury, and, above all, recognize the people who work in the Clearinghouse and encourage them to work with the same dedication as before in achieving the goals we set. The first fruits of these changes are already visible. At the end of the year covered by this report, the launch of options contracts on the Mexican Stock Exchange’s Price and Quotations Index (IPC) and on some stocks were a reality. We also see clearly the results of our restructuring of operations and off the dollar future settlement process. We believe these will allow for vigorous growth in the future, taking advantage of the business opportunities found in the creation of a clearinghouse for term contracts traded on the OTC market. They will also allow us to downscale technological systems and platforms, helping to reduce trading risks and possibly cut down on systems maintenance and support costs as well.

Asigna has a bright business horizon before it, which dignifies the five years of continuous efforts that stand behind us. I would like to thank the Clearing Members of Asigna for their committed support in allowing this project to give Mexico a solid, standardized derivatives products market to become a reality, and an ongoing business. I am also grateful to all of Asigna’s personnel for their commitment and dedication, which stem from their very accurate perception that this company is theirs.

Juan Luis Mayordomo Saugar

Message from the Chief Executive Officer

In June 2003, Asigna's Technical Committee gave me the responsibility of heading this important clearinghouse. I took on these duties as a distinction but also as a commitment, because despite the fact that our balance sheet puts us solidly in the black, and we have enjoyed impressive rates of growth over the past three years, Asigna faces a number of challenges.

On the trading side, it shares a challenge with MexDer, which is to seek out a more diverse range of products. We cannot close out 2004 without ensuring that at least one-third of the market volume corresponds to products other than futures on the Interbank Equilibrium Interest Rate (known as the TIIE). The projects included in the budget point in this direction: a strengthening of trading in dollar future contracts, and as a result of the forthcoming launch of options on the Mexican Stock Exchange's IPC index and on various high-liquidity stocks, the reactivation of futures contracts on these underlying values.

Another challenge in the area of trading modernization is the automation of trade transmission and receipt processes in the clearinghouse and in clearing members, known in other markets as the "straight through process." We must also downscale our data platforms.

The most ambitious project on the operating side is the creation of a company to record, clear, settle and act as counterparty in transactions performed through a broker or other trading medium, which is currently called the over-the-counter (OTC) market. Asigna has experience personnel and the infrastructure necessary to

implement a project as large and profitable as that of a standardized derivatives market.

On the corporate side, we face the challenge of bringing in some new Mexican or foreign player as a clearing member of the Clearinghouse, in order to improve the current level concentration of open positions. In addition, since the second half of 2003 we have been working on various ways to bring institutional and foreign investors into the market, as the result of which we will shortly be settling foreign currency with Bank of America, receiving U.S. Treasury Bonds as margins, and should soon have authorization to extend the allowable term of government securities contributed as margins from 91 days to 182 days.

Among our financial challenges are increasing our operating efficiency, under a balanced income-and-expense policy. Furthermore, we plan to streamline our data platforms to facilitate operating processes, and this will also bring financial benefits.

In our human resources, the challenge is to bolster our structure through a closer internal integration of our team, since our principle has always been that the heart of the clearinghouse is our personnel. This is why we think giving a decisive boost to individual development and technical training is the most productive investment we could make.

The challenges we have identified are now our strategic guidelines for 2004, presented for the approval of our Technical Committee. These guidelines will govern our thoughts and decisions in the future.

In conclusion, I would like to express my gratitude to our trustors

and the technical committee, for the support and commitment they have shown Asigna and its director general. To all our personnel, my recognition and thanks for their hard work and dedication, which have made Asigna the most creditworthy institution in the country for performing transactions in derivative financial products.

Jaime Díaz Tinoco

Primary Activities in 2003

I. Financial Administration

In 2002, Asigna continued the financial self-sufficiency it attained in 2001, as a result of higher trading volume and strict control over expenses.

Total revenues came to 72.3 million pesos, 75.37% higher than the year before. Of this amount, clearing and settlement fees made up 70.4 million pesos, a monthly average of 6.02 million pesos.

Total expenses came to 21.6 million pesos, equivalent to a monthly average expense of 1.8 million pesos, and a 34.61% increase over 2002. Asigna closed December 2003 with equity of 115.1 million pesos, equivalent to 34.3 million UDIs, which is 19 million higher than the minimum regulatory requirement of 15 million UDIs.

The value of each of the nine equity contributions by our clearing members is 9.9 million pesos, while S.D. Indeval's equity contribution totals 4.3 million pesos. For both Clearing Members and S.D. Indeval, the value of their contribution was considerably higher than in the past.

II. Clearing and Settlement

Trading Activity

In the year 2003, 174 million futures contracts were traded, more than twice the volume traded in 2002, which was 84.3 million. Compared to 2001, the volume is almost ten times greater. The notional value of the contracts traded totaled 17,300 billion pesos.

A total of 162 million futures contracts on the 28-day TIIE were traded during the year, accounting for 93% of total volume. The second most heavily traded contract was the future on the 91-day Cete, with volume of 11.4 million contracts in 2003, more than triple the 2002 amount. This was equivalent to 6.6% of the market, compared to 4.2% the previous year.

Trading in IPC futures totaled 220,000 contracts, 4.5 times greater than in 2003. Futures on the U.S. dollar came to 81,000 contracts, also higher than in 2002.

The market was erratic over the course of the year. In June, almost 30 million contracts were traded, while in August less than 7 million changed hands.

In 2003, the composition of market activity changed significantly, with a diversification

of third-party trading among various clearing members. At the same time, the depth of proprietary position trading by clearing members increased.

As of December 31, 2003, the open interest in the market came to 20.5 million contracts, compared to 5.4 million at the close of 2002. The fact that this indicator outpaced the growth in trading volume is a sign of the increasing use of derivatives as hedges for term positions.

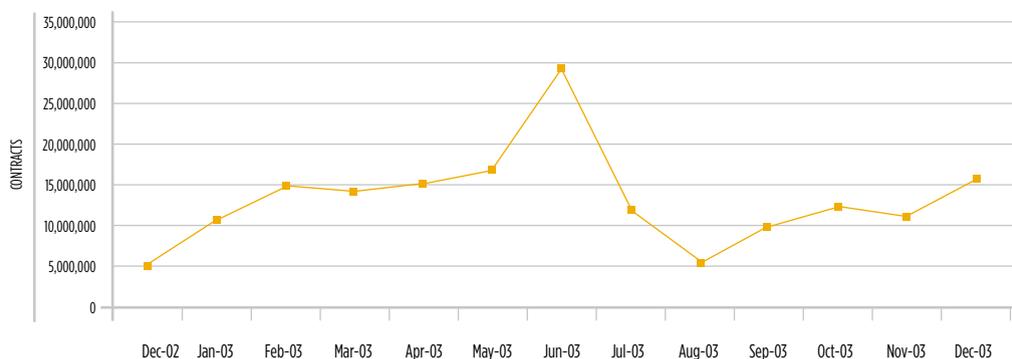


2003	Transactions	Volume (Contracts)	Value (Million pesos)	Value (Million dollars)	Open Interest (End of period)
January	7,026	10,209,074	1,012,028	95,122.18	5,880,917
February	9,056	14,798,448	1,465,339	134,094.87	8,018,614
March	8,382	14,102,578	1,397,550	127,760.47	9,020,822
April	8,517	15,139,640	1,501,313	141,474.06	7,898,747
Mayo	10,828	17,353,973	1,723,375	168,162.43	9,539,944
June	17,431	29,932,353	2,974,451	282,980.32	9,034,396
July	9,651	14,649,385	1,455,297	139,313.97	10,687,853
August	5,110	6,745,188	669,919	62,347.18	11,642,536
September	6,574	9,884,544	982,029	89,605.80	16,313,642
October	9,142	12,897,836	1,282,034	114,729.95	19,029,861
November	7,691	11,798,571	1,172,967	105,106.42	20,102,254
December	8,336	16,309,361	1,621,411	143,822.75	20,487,211
TOTAL	107,744	173,820,951	17,257,712	1,604,520.41	

Trading Volume by Class

	US\$	IPC	91d CETE	28d TIE	Equity	M3	M10	UDI
Volume	81,395	220,738	11,398,544	162,077,312	0	4,683	38,279	0
Value (Billion pesos)	8,849	16,308	1,119,164	16,108,932	0	500	3,959	0
Transactions	1,382	13,712	8,840	83,333	0	86	391	0

Total Trading Volume



Operating Adjustments

This past year, we secured approval for a change in the daily deadline for extraordinary settlement, due to a modification of the operating hours of the general payment systems. We also changed the time for entering margin securities to bring it into line with Indeval's decision to move up its closing time by half an hour.

Now, clearing members must turn over administered funds contributed for excess margin by its clients to the money desks half an hour earlier. For Asigna, this means that the deadline for requesting extraordinary settlement must also be moved up, both because of members' liquidity and because of the time at which Asigna can turn over the funds for investment. The new deadline for extraordinary settlement was set at 1:15 p.m., and the previous deadline was 1:45 p.m.

New clearing members

Since it first joined the market as Serfin, the institution today known as Santander Serfin has been active in Asigna as a third-party clearing member. As part of its operating strategy, it decided to trade third-

party positions and transform the nature and purpose of its trust to become a proprietary position clearing member. Formerly, its proprietary position was settled through another clearing member. Having completed the necessary authorizations and administrative adjustments, Santander Serfin began trading as a proprietary position clearing member of Asigna early in July, and transferred the open position in accounts with its former clearing member to its own trust. It is now the most active proprietary position clearing member in the market.

Having made these changes, Santander Serfin decided to return to the third-party market, and took the steps necessary to create a new third-party clearing member. In the second half of 2003, it completed the application procedures with the Ministry of Finance and Public Credit. Asigna's technical committee approved the admission of Santander Serfin as a third-party clearing member in its meeting of September 24, 2003. The new trust is expected to receive the acceptance letter from the financial authorities some time in 2004, at

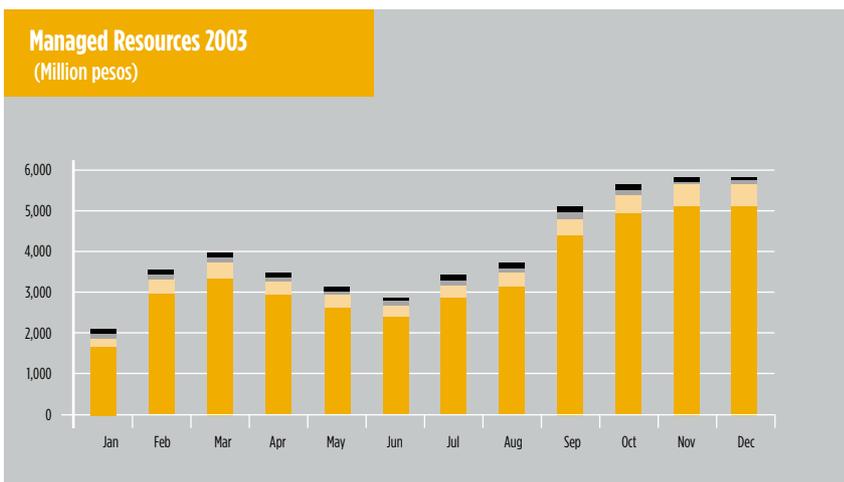
which point it will make the equity contribution that corresponds to an Asigna trust creator.

New Series

In 2003, two new contracts were launched: the future on the M10 bond, which is the longest fixed-rate bond issued by the Mexican government; and the future on the UDI. Twelve series of M10 futures were listed, with quarterly expiration dates, and were met by immediate acceptance among market participants, who have been trading these regularly. Twelve series of the UDI future were also listed, with monthly expirations, along with 16 quarterly expiration series.

Fund Management

At the close of 2003, Asigna had a total of 5.87 billion pesos under administration, made up of 5.22 billion pesos in the Margin Fund, 536 million in the Clearing fund, and 115.1 million pesos of minimum equity. These funds were invested in accordance with the rules governing the clearinghouse, and also placing top priority on obtaining a secure yield. Even so, we were able to earn an average 21bp higher than the weighted overnight rate published by Banco de Mexico and calculated on its daily auction of funds among Mexico's leading financial institutions.



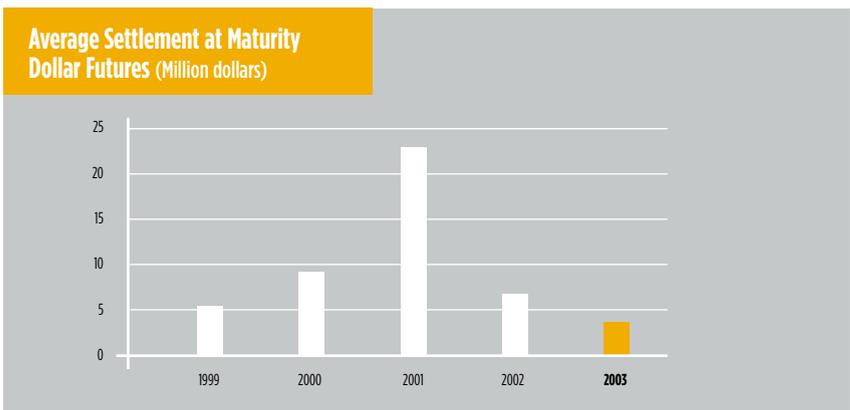
Daily Market Settlement

The average daily amount settled on the market in 2003, in other words, the flow of funds resulting from the daily market valuation of member positions (gains and losses, accrued interest, commissions) settled in their favor, was 42 million pesos; charges totaled 58 million pesos, so the average net settlement was 16 million pesos a day.



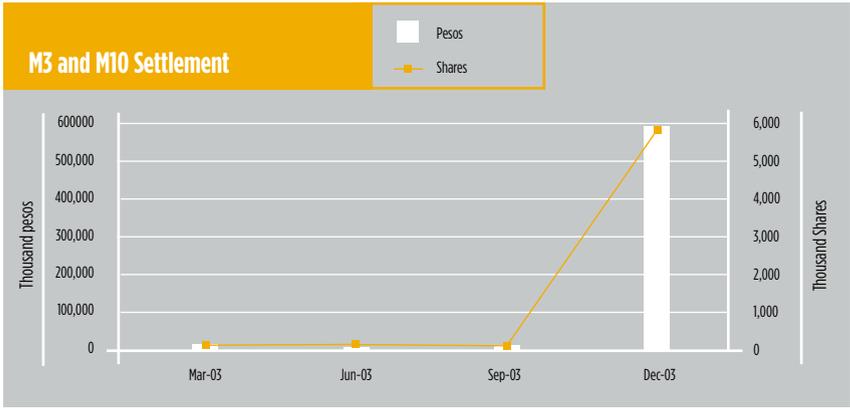
In-kind settlement of the dollar future contract

Settlement of this contract in 2003 was 54% lower than in 2002. However, we expect interest in this type of contract to grow as a result of changes that are to take effect in March 2004: net settlement instead of gross settlement, and receipt and disbursement of funds with 48-hour value date.



In-kind settlement of futures on M3 and M10 bonds

In 2003, we processed three in-kind deliveries of futures on the M3 bond (March, June and September expiration) without any complications. On September 22, the market began listing a futures contract on the fixed-rate 10-year bond (the M10), and the first expiration was settled in December, some 5,800 contracts, equivalent to 5.8 million certificates and 592 million pesos.

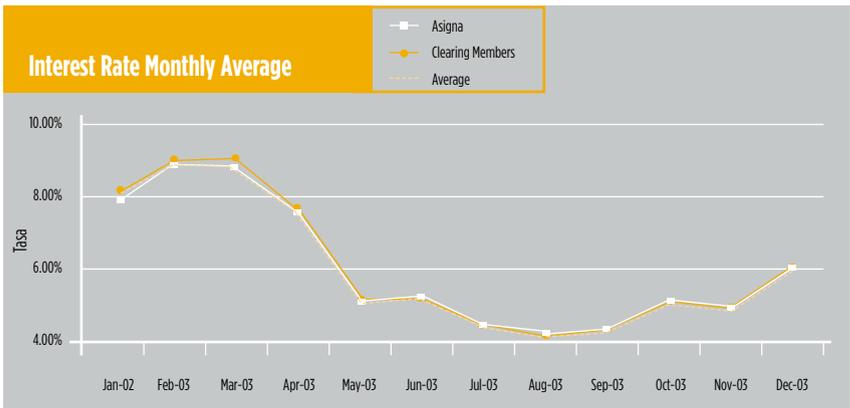


Investment of resources

Asigna invests the funds it manages according to the applicable laws and regulations. The Margin Fund and Clearing Fund are invested in one-day repos on government securities, while the minimum equity is invested in government securities at an average term of 10 days.

Starting in August 2003, Asigna began using the SIPO bidding information system to auction the assignment of equity funds. This means a more efficient management of these funds, because it ensures that the funds are invested at the best rate on the market, in an anonymous negotiation, and with all procedures closely documented.

The average yield on our investment in 2003 was 6.17%, compared to the 6.03% earned by



clearing members on the investment of their excess resources, and the weighted average market rate of 5.96%.

Credit rating

In 2003, Asigna obtained two additional credit ratings and the ratification of its AAA rating on the national scale from Fitch Ratings (granted in 2002). Now, three rating agencies coincide in the assessment that Asigna has the necessary solidity to face any extreme changes in the market, guided by a capable and efficient management.

Fitch Ratings.

This rating cites our efficient resources management, process quality and general administration. It also reflects the solidity and flexibility of our clearing members, owing to the support they receive from institutions that enjoy the highest ratings in Mexico; the safeguards established by Asigna to deal with situations of extreme volatility, such as our close analysis of margin requirements and the levels of equity and contributed funds we consider necessary for dealing with any emergencies; our solid and robust safety net; and the real-time control over valuation of each client's position, which allows us to make margin calls promptly and reduce the intrinsic risks.

Standard & Poor's.

On April 23, 2003, this rating agency granted Asigna a rating of MXAAA on the local scale, and a BBB rating on the global scale. This rating was given in recognition of our strong performance and growing importance in the Mexican futures

market, as well as our efficient operating processes, our risk management and oversight processes, and our solid financial security network, which protects Asigna and offers security to market participants in the event of adverse movements in the market. Another factor noted by S&P was the business opportunity created by the introduction of new products to the market, and possible new participants from Mexico and abroad.

Moody's.

On May 28, 2003, Moody's gave Asigna a rating of AAA.MX on the local scale and A1 globally. This rating is based on conservative margining models, strict equity requirements for both clearing members and clients, the credit ratings of our clearing members, linked to Asigna's rating, and the role we play in the architecture of the Mexican financial system.

expanded because of the rise in the number of open contracts in the market--logical, since the safety net is designed to cover the number of open contracts, in keeping with the level of minimum margin required for each type of contract.

Between December 2002 and December 2003, the total amount of funds within the safety net grew by 2.78 times, and reached a maximum growth of 3.13 times in the February 2002-February 2003 period. The number of open contracts expanded by the same amount from 2002 to 2003. At the close of January 2003, there were 5.88 million open contracts, and at the close of 2002, 20.48 million contracts. In the same period, the financial strength of Asigna and its clearing members amounted to 2.76 billion pesos at the end of January 2003, and 7.53 billion at the close of the year.

III. Risk Management

Safety Net

Asigna has a robust and solid safety net, which consists of the following resources: **a)** excess minimum initial margins; **b)** the Margin Fund; **c)** the Clearing Fund; **d)** the equity of third-party position clearing members; **e)** the equity of proprietary-position clearing members; and **f)** its own equity.

In 2003, the resources that make up the Safety Net were considerably

Safety Net Resources

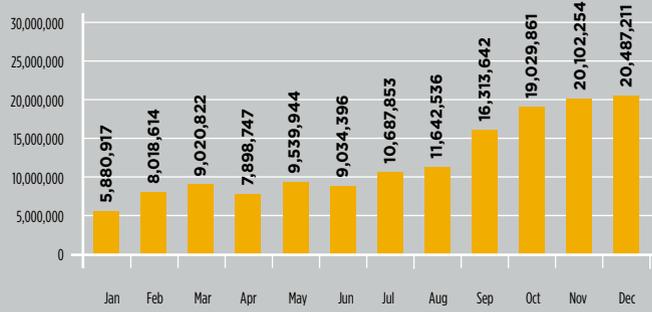
Figures at the end of the month (Million pesos)

Month	Funds	Property Position equity	Equity	Asigna equity	Total Resources 2003	Total Resources 2002	% Change 03/02
January	2,441.60	101.60	136.00	79.60	2,758.90	1,171.40	236%
February	3,888.0	88.90	197.70	84.60	4,259.30	1,361.10	313%
March	4,303.70	131.90	281.00	87.10	4,803.90	1,596.50	301%
April	3,807.20	159.80	302.10	91.00	4,360.00	1,936.90	225%
May	3,709.30	197.10	290.00	95.70	4,292.00	2,128.70	202%
June	3,727.70	223.40	324.60	104.30	4,380.00	2,611.90	168%
July	4,194.10	289.00	238.30	107.00	4,828.60	2,528.70	191%
August	4,229.50	284.20	228.80	107.90	4,850.40	2,690.50	180%
September	5,520.30	297.30	228.30	109.30	6,155.30	2,597.80	237%
October	6,169.90	314.60	236.30	111.00	6,831.80	2,375.50	288%
November	6,740.40	343.20	247.40	112.60	7,443.60	2,596.70	287%
December	6,775.00	396.60	243.90	115.10	7,530.60	2,710.50	278%

*Funds include: excess margins, margin fund and clearing fund

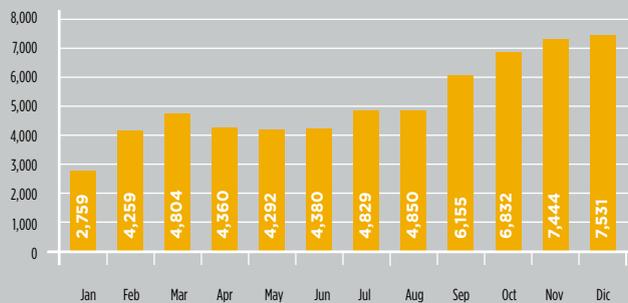
Open Contracts 2003

(Number of contracts at close of month)



Safety Net Resources 2003

(Million pesos)



As of the close of 2003, the resources that made up Asigna's safety net were equivalent on average to 4% of the notional value of the contracts open in the market.

During the year covered by this report, the Risk Management and Admissions Sub-Committee performed a number of simulations of extreme scenarios, in which it took the worst-case scenario for each variable, without reference to any general scenario or the possible correlation between them or Asigna's control mechanisms, including extraordinary settlement), and examined the result against the resources available throughout 2003.

The results of these exercises were satisfactory, and demonstrated that the safety net is ample enough to cover potential default in

situations of pronounced changes in market price. In all cases, the Sub-Committee observed that the impact on the Contributions Fund would average 50%, and at no point would it affect the Clearing Fund, nor the equity of Clearing Members or Asigna. This is proof of the efficiency of the safety net in facing adverse movements in the risk variables.

Minimum Initial Margins

Asigna establishes and monitors maximum expected changes (amount of margins required according to the open position) for each one of the future contracts, based on the volatility recorded. These margins may be contributed in the form of cash or securities. In 2003, Asigna set minimum margin

requirements for individual positions, spread positions, and the delivery of futures contract on the fixed-rate Federal Government Development Bond at 10 years and on the UDI, both of them new to the market.

In 2003, margins were adjusted downward eleven times for contracts on the dollar (DEUA), on the IPC, on 91-day Federal Treasury Certificates (Cete91), the 28-day Interbank Equilibrium Interest Rate (TIIE28), the fixed-rate Federal Government Development Bond at 3 years (M3), TELMEX L (TX), CEMEX CPO (CX) and FEMSA UBD (FE). Asigna tracks margins on a daily basis and in real time using the backtesting market and backtesting model risk measurement and modeling tools.

In 2004, Asigna will optimize its margining model by incorporating

At the close of 2003 Asigna's Safety Net resources were equivalent to the 4% of the notional value of the contracts opened in the market.

the well-known TIMS model (Theoretical Intermarket Margin System). This is the standard margining model applied in international derivative markets. The model was developed by the Options Clearing Corporation (OCC) in 1986. Its basic purpose is to margin futures and options in order to reduce risk by diversifying the portfolio.

The TIMS model will be adopted in 2004, and will allow us to calculate initial and total margins on futures and options contract portfolios. To run this model, contracts must be grouped according to correlation factors: the maximum expected change in the price of the underlying, the margin for spread positions and the margin for deliverable positions.

Eligible margin securities

In 2003, we updated the discounts applicable to securities margin deposits a number of times, as a result of a review of their volatility. These adjustments were made to Cetes, fixed-rate Federal Government Development Bonds at 5 years (M5), Bank Savings Protection Bonds (BPAS) and Monetary Regulation Bonds (BREMS). At the close of 2003, these margin securities made up 2% of the margin fund managed by Asigna.

In the second half of 2003, we began the procedures necessary to allow Asigna to accept U.S. Treasury bills (T-Bill) as margin securities, under the currently authorized terms. We have been analyzing the possibility of expanding the range of government securities eligible to be received as margins, to include instruments with a maturity or

adjustment term up to 182 days. This will give institutional investors more alternatives for margining their positions through Asigna and its clearing members.

Limit Positions

Over the course of the year, market participants respected the limit positions established by Asigna. Financial institutions that engaged in hedging notified Asigna of the fact in advance, in order to have this taken into account in setting their limits.

In 2003, Asigna set position limits for new futures contracts on the M10 bond and the UDI. In February, it adjusted the position limits established for 91-day Cetes and the fixed-rate Federal Government Development Bond at 3 years.

Extraordinary settlements

Asigna performed only one extraordinary settlement in 2003, on the U.S. dollar future that expired in October (DEUA OCO4), after the change in its price exceeded the maximum expected change in a single day of trading. This extraordinary settlement was triggered on August 28, and totaled Ps 8.8 million, which was settled in less than an hour. The mechanism was evaluated and rated as efficient and prompt by Fitch Ratings, Moody's and Standard & Poor's.

All the parameters referred to in the preceding paragraphs were established and monitored by a recognized group of experts that make up the Sub-committee on Admission and Risk Management, which includes representatives from our Clearing Members as well as independent experts.

Supervision

Asigna is responsible for overseeing the financial sufficiency of its clearing members, protecting the financial integrity of the market and of each participant. To do so, it requires that clearing members supply operating, financial, accounting, legal and auditing information. Thanks to the supervision and oversight of Asigna and of the clearing members themselves, the market's integrity was maintained in 2003.

Promotion

In 2003, Asigna continued to support campaigns to promote the derivatives market, in conjunction with MexDer. These efforts are intended to encourage the trading of listed products and, in general, expand the role that the clearinghouse plays in this market.

In keeping with this objective, we began publishing six issues of a bi-monthly supplement last year, which appears in the daily newspaper *El Economista*, regarding derivatives products. The supplement is called “Cubriendo el Futuro”, or “Hedging the Future,” and its purpose is to promote and explain Asigna’s function as a counterpart for trades on the derivatives market, as well as the clearing and settlement processes and risk management that its duties entail. Beginning in October, this supplement also appears in the daily newspaper *El Financiero*, which means this material now has a wider audience.

Another publication we worked in 2003 was a bilingual edition entitled “The Mexican Derivatives Market: an Introduction”, in conjunction with MexDer; along with two introductory brochures on the options market: “30 Frequently-Asked Questions about Options” and “Options for Making the Most of the Exchange.”

This year, as in previous years, Asigna is included in the annual report on *The World’s Clearing Houses*, published jointly by *Futures and Options World* and *Price Waterhouse Coopers*.

As part of our promotional strategy, in the second half of 2003 we modified and released a new Asigna web site on the internet.

The new site has a dynamic quality, with information updated daily. The page (www.asigna.com.mx) was re-design so that members and the general public would look up basic information for decision-making.

In addition, and for the second time in a row, Asigna and MexDer jointly put together an exhibition module for the Annual Securities Market Convention in 2003. The central theme was the integration of different financial markets. At the convention, derivatives market institutions were identified as crucial components in the development of the Mexican financial system.

In a similar effort, Asigna and MexDer jointly promoted and sponsored the first National MexDer prize, intended to stimulate study and development of the derivatives product market. The first call for entries was highly successful, with 44 works received from professionals, academics and students at Mexico’s leading higher educational institution, and some from abroad.

In 2003, Asigna continued to support campaigns to promote the derivatives market, in conjunction with MexDer. These efforts are intended to encourage the trading of listed products and, in general, expand the role that the clearinghouse plays in this market.

■ Vision for 2004

Asigna has a strategic plan that incorporates all the institutional lines of action and projects to be pursued in 2004. These strategic guidelines are:

- To strengthen, integrate and develop our personnel, in order to take advantage of their innovative work and their ongoing professional development.
- To optimize operating processes and the technological structure, focusing on automation and reducing the number of platforms.
- To optimize the safety net in order to maintain our local credit rating and improve our global credit rating.
- To improve operating efficiency through a policy of balanced revenues and expenses.
- To encourage new participants to join the market and make the Mexican market more attractive for foreign participants.

With these goals in mind, Asigna has formulated some ambitious projects for 2004. First, after several months of intensive development throughout the year 2003, we plan to assist in the listing of standardized option contracts in order to offer investors a full range of derivative products. Their launch will be the most important event since the market was created a little over five years ago. In the first phase, it will include options

on the IPC and on some high-liquidity stocks.

Second, there is the project to list dollar futures with dynamic or “paired” expiration dates. The intent is to allow currency traders to simultaneously trade two opposite positions, one expiring in no more than three days and another expiring at regular dates that already exist. From the clearinghouse’s perspective, the project will involve operating changes such as a unification of settlement date and net settlement of delivery flows with clearing members.

The swift growth in trading activity and in the number of listed series derived from option contracts have revealed a pressing need for automatic registry of trades in the various administration systems maintained by Asigna and its clearing members. We have therefore laid out a project to automate operations by eliminating any manual input once the trade is executed on the market.

In addition, in order to take full advantage of the data infrastructure and the experience of Asigna’s personnel, in the medium we are working to create a clearinghouse for derivatives traded over the counter. Given the complexity of this project, the goal for 2004 is to lay the groundwork for its operation, and begin development so that the project can be completed by 2005.

Since the start of the derivatives

market in Mexico, many financial institutions have urged the authorities to consider incorporating “omnibus accounts” in the market. In 2003, the authorities prepared a draft of the regulations that would govern these accounts, which are known as “cuentas globales” in the local market. The project outlines the characteristics of these accounts, the requirements traders and clearing members must meet, how foreign firms will participate, and how the safety net works. The challenge for Asigna and its clearing members is to set up the operating and administrative procedures to handle this type of account, which will be introduced in 2004.



SIF

GARBAN INTERCAPITAL MÉXICO, S.A. DE C.V.

■ **SIF Garban Intercapital México, S.A. de C.V. (SIF Garban)** is one of the leading brokers in Mexico, offering its services for trading in all the financial products and instruments available through electronic and voice systems. It maintains an active presence in all of these markets, offering high technology, efficiency, speed and reliability.

SIF Garban specializes in facilitating interbanking transactions in the OTC derivatives, fixed income, and foreign exchange markets. With the support of our highly specialized team of brokers and our sophisticated electronic voice and data systems, we have achieved a deep, active, and highly renowned presence in the Mexican market.

The activities of SIF Garban are regulated and supervised by the National Banking and Securities Commission.

■ Mission

To supply electronic services for facilitating trading in fixed-income securities, the spot exchange rate, forwards, and swaps. To offer the greatest efficiency, speed and reliability in these services, maximizing the benefits for our clients and maintaining our ethical and professional commitment.

■ Our Principles

SIF Garban facilitates its clients' transactions by making sure they are performed swiftly, simply and reliability, at the lowest cost and the highest quality.

Our activities are therefore aimed at satisfying clients in real time and anticipating their needs, in accordance with the following principles:

- Teamwork, to offer the best service at all times.
- Hiring only personnel with extensive market know-how and ethical, responsible performance.
- Staying one step ahead of the competition in the development of new solutions for our clients.
- Developing systems backed by the best technology in order to guarantee the safety and efficiency of our operations.
- Remaining in constant communication with our clients to ensure that they are fully aware of the advantages of our products and services.
- Safeguarding the confidentiality of our client's information under every circumstance.

Message from the Chief Executive Officer

At SIF Garban Intercapital Mexico, we are very proud and satisfied with our achievements in 2003. The quality of the services our personnel supply to all the traders of financial products in Mexico have made us the top broker in Mexico, because we offer the greatest number of products, and are leaders in virtually every market we serve.

Thanks to the support of this company's two shareholders—the Mexican Stock Exchange and ICAP—we have succeeded in covering the main markets and taking up every opportunity we have encountered, primarily through the integration of services to those to whom we owe the most: our clients.

Speaking of our clients, we have developed a tremendous flexibility in adapting to their needs, offering a variety of technological alternatives

and top-flight service.

The consolidation of a data system for bids (SIPo) is a good example, as this system is considered a useful tool, offering liquidity and transparency to its users.

Rodolfo Sánchez-Arriola Luna

Board of Directors

Board members "A" Series

MEMBERS

Patrick Doucet Leautaud
Guillermo Prieto Treviño
Rodolfo Sánchez-Arriola Luna

ALTERNATES

Eligio Esquivel Llantada
Federico Flores Parkman Noriega
Luis Sayeg Seade

Board members "B" Series

MEMBERS

Donald Marshall
Douglas Rhoten
Paul Zuckerman

ALTERNATES

Phillip Moody
Vladica Nelson
David Rutter

Chairman

Guillermo Prieto Treviño

STATUTORY AUDITORS

Carlos García Cardoso
Fernando Morales Gutiérrez

SECRETARY

Hugo Contreras Pliego

SECRETARY PRO TEM

Rafael García Job

Committees

SET-FX Consulting Committee

MEMBERS:

Eduardo Carranza Cervantes
Emilio Camou Loera
Juan José Hicks Pedrón
Gilberto Romero Galindo
Pedro Sánchez Palazuelos

Consulting Committee for operative issues

MEMBERS:

Ricardo Acevedo de Garay
Francisco Bataller López
Luis Betancourt Barrios
Juan Alberto Carrizales Picón
Federico Flores Parkman Noriega
José Antonio Gómez Aguado de Alba
Luis Sayeg Seade
Javier Villa Roiz

Primary Activities in 2003

Throughout 2003, SIF Garban Intercapital Mexico maintained its distinction as the company offering the most financial broking services through voice and electronic trading systems.

Our main achievements during the year can be summed up as follows:

- We have reorganized our trading desks in order to maximize synergies with ICAP in the United States, and we have a new UMS desk.
- Training for the new repo and corporate bond table is about to conclude.
- We updated the equipment to serve 23 clients.
- Our negotiations with Datatec in Latin America have evolved into solid associations, and we have identified new alternatives for continuing growth in the region.
- We hired new personnel in order to insure access to more and better information.

Available Products

SET-TD. Overnight brokerage for bank and government securities.

SET VX. Voice and electronic brokerage services in peso-dollar transactions.

Government bonds in pesos.

Corporate bonds in pesos.
Repurchase agreements (repos) in peso-denominated debt.

Forwards.

Short-term swaps (Cash/Tom, Tom/Next, Cash/Spot and Spot/Next).

Interest Rate Swaps (IRS).

Basis Swaps.

Cash deposits (U.S. dollars).

U.S. Treasuries (U.S. dollars).

Sovereign bonds in dollars.

Corporate bonds in dollars.

SIPo (RFQ: Request for Quote).

SIF Garban Operations

In the government bond market, we closed the year with a trading volume of more than Ps120,000 bn, maintaining a dominant share of trading in fixed-rate and adjustable-rate bonds and Cetes. The same was true for interest rate futures.

In the electronic system used for trading fixed-income securities, called SET-TD, we maintained our leadership in the overnight market for bank and government instruments. In the repo and short-term bank paper markets we ranked first in market share. In November 2003, we developed a new auction module for placing highway indemnification securities

certificates known as CBICs.

Our derivatives trading desks —IRS, Swaps and Forwards— are located in Jersey City in the United States. In conjunction with ICAP, we cover all the clients that require these services in Mexico and abroad, making us the leading suppliers of liquidity in those markets.

Meeting the growing need for trading in Mexican sovereign bonds (UMS) and corporate bonds denominated in foreign currency, in September 2003 we opened a new trading desk in conjunction with ICAP in Jersey City. At the close of 2003, the desk had the top market share, more than 50%.

To improve the service for our clients in the foreign-exchange market, we integrated the electronic voice service into a single area for peso-dollar currency trading. Globally, this area has increased its trading volume.



In 2003, we concluded the conversion of 98% of our communications infrastructure to 100% digital links.

Bid information system: SIPO

The SIPO bid information system has been met by increasing interest among financial market participants, and is now considered by institutional investors and government treasuries as an efficient tool that offers transparency and speed in transactions within the money market. In 2003, accrued trading volume reached almost 900 billion pesos, connecting 29 suppliers (banks and brokerage firms) and 42 clients. Among these were various retirement funds, government treasuries, savings and loans, as well as mutual funds, insurance firms and corporate treasuries.

Communications & Technology

In 2003, we concluded the conversion of 98% of our communications infrastructure to 100% digital links. We began the technological upgrade of most of the equipment our clients use for trading with SIF Garban Intercapital.

Presence in Latin America

After the acquisition of the Datatec group of companies in Latin America, we have been able to build alliances and attain a strong presence in some countries of the region like Colombia, Chile, Peru and the Dominican Republic. Our new partners, all of them important institutions in the region, will be excellent catalysts for our future growth in Latin America.

In 2003, we signed an agreement with the Chilean Electronic Exchange, using our Datatec platform for the foreign-exchange market. In association with the Colombian stock exchange we founded the company Servicios Integrados en Mercado Cambiario, Integrados FX, S.A., which began to operate successfully in the Colombian foreign-exchange market. In the Dominican Republic, we licensed the use of our Datatec platform to the company Mercado Electrónico Dominicano. In Peru, we formed an association with the Lima Stock Exchange to offer foreign-exchange and fixed-income market services.

▮ Vision for 2004

For SIF Garban Intercapital, 2004 will be a year of intense activity. Virtually every one of our trading desks will be launching new products on the market in order to reaffirm our leadership and maintain our position as an innovative company that listens and responds swiftly to the needs of its clients.

Shareholders

1. Bolsa Mexicana de Valores, S.A. de C.V.

2. ICAP (GARBAN Latinamerican Holdings, B.V.)

Formerly known as Garban Intercapital plc, ICAP is a shareholder of SIF Garban. This British company is a global leader in electronic and electronic-telephone broking, particularly in the foreign-exchange, fixed-income and derivatives markets.

ICAP has 2,200 employees and a daily trading volume of around 300 billion USdollars. It is also considered one of the leading suppliers of market information.

This group has accumulated 26 years of experience on its own and by other brokerage firms with which it has merged and associated. It has developed platforms that facilitate voice and electronic transactions with ample worldwide recognition. It has offices in 24 countries, covering the OTC derivatives, securities, government bond, Eurobond, money market, futures and commodities markets.

Corporate Officers

Rodolfo Sánchez-Arriola Luna
Chief Executive Officer

Alfredo Prieto Harris
Money Market

Jorge Livingstone Vaught
Systems and Technology

Pedro A. Ruiz Noriega
Operations/Trading



VALMER

Valuación Operativa y Referencias
de Mercado, S.A. de C.V.

▮ **Valuación Operativa y Referencias de Mercado S.A. de C.V. (VALMER)** is a company founded in the year 2000, to provide daily updated prices for the valuation of financial instruments and transactions, as well as comprehensive calculation, information and analysis services relating to those prices. It operates under the regulatory supervision of the National Banking and Securities Commission.

▮ Mission

To supply price vectors that ensure a transparent and reliable valuation of financial assets for the institutions that participate in the Mexican financial system, by obtaining a substantial number and variety of sources for primary market information, and by analyzing them independently, reliably and promptly. We rely on state-of-the-art technology, highly qualified personnel and the continuous development of products that offer quality, precision and personalized service for our clients.

▮ Vision

To be the leading price vendor in Mexico, and to accurately reflect conditions prevailing in the Mexican financial market in the daily valuations we supply, working with the ethics, transparency, reliability and speed our customers require, offering comprehensive, value-added products and services.

Message from the Chief Executive Officer

VALMER's most significant achievement of 2003 was that it gained a position as the leading price vendor in the system, and laid the groundwork for greater operating and technological efficiency. These advances will enable it to continually improve its services and valuation methodologies.

In addition, the incorporation of new investment alternatives and financial instruments has encouraged VALMER to evolve at a pace with the Mexican financial system. We have played an active role in generating prices and valuation benchmarks for virtually all of the securities traded on our markets.

The strategic guidelines we followed in 2003 were the following:

- 1.** Consolidating our customer base.
- 2.** Integration between VALMER and its competitor GBS
- 3.** Maintaining a controlled and competitive operating cost structure.
- 4.** Alliances with local and foreign information vendors
- 5.** Redefining of the organizational structure.
- 6.** Ratifying the rules on integration and functions of the Valuation committee.

We made progress in each of these points. The most outstanding area was the integration of VALMER's and GBS's client portfolios into a single vendor, which concluded in the last quarter of 2003.

This integration will help us to advance more rapidly in developing more products and providing our clients with the level of quality and reliability they need.

The alliance combines the benefits of the investments, know-how and experience of each of the two vendors in technology, communications, methodologies, and other areas. Today, their integration creates synergies that will mean advantages for all those who use the services of the new VALMER.

In addition, VALMER verified the methodologies and operating processes it uses in local valuation through joint work with the Valuation Committee. This project was accompanied by a re-engineering that substantially improved the product we deliver today.

We made a substantial effort in the valuation of international and derivatives-market instruments as well, with special emphasis on OTC instruments structured for institutions.

In 2003, VALMER concluded the implementation of recommendations by the Valuation Committee, as well as efforts to foster a more client-oriented approach to our services and products. We sought out market niches among clients who value product quality accompanied not only by know-how and technical expertise, but by a firm commitment to ethical practice.

I am proud to say that three

years after our founding, VALMER is today an important member of the Mexican financial system, a place we have earned by our commitment to high standards of quality and reliable service.

Gerardo Gamboa Ortiz

Board of Directors

Board Members

MEMBERS

Jaime Díaz Tinoco
Marcos Jacobsen
Guillermo Prieto Treviño
Natan Rosen
Pedro Zorrilla Velasco

ALTERNATES

José Manuel Allende Zubirí
Marco Antonio Hernández Jiménez
Alejandro Reynoso del Valle
Michael Spragge
Michael Zerbs

Chairman

Guillermo Prieto Treviño

STATUTORY AUDITOR

Carlos García Cardoso

SECRETARY

Hugo A. Contreras Pliego

SECRETARY PRO TEM

Rafael García Job

Committees

Valuation Committee

MEMBERS:

Esteban Antonio Martina Boggetto
Fausto Humberto Membrillo Hernández
José Carlos Alberto Sánchez Cerón

Primary Activities in 2003

VALMER implemented a number of projects with the common purpose of improving operating and administrative efficiency, developing new products and strengthening the company's image, and serving clients through an increasingly personalized brand of service, which covers the increasingly unique needs of market participants.

The most important of these projects in 2003 are summed up below:

- 1.** As regards market share, VALMER became the leading vendor in the market, with a 69% share in Mutual Fund Managers, 62% in Brokerage Firms and almost 60% in banks.
- 2.** One of our strategic objectives is to remain at the forefront of the field in valuation methodologies. VALMER has two fundamental tools for maintaining and updating its methodologies. The first is an area engaged exclusively in research and development of valuation methodologies, and the second is

the Valuation Committee, which is made up of independent experts. In addition, with many more sources of information available, we have been able to improve the market benchmarks of traded securities.

3. In 2003, the number of instruments valued by VALMER on a daily basis rose to 4,827, 72% higher than at the close of 2002 (2,792). Every day, 69 different valuation curves are generated by VALMER (20% higher than in 2002), mainly for the purpose of covering the extensive needs of derivatives market trading and risk management areas. These numbers can give a good idea of the level of work VALMER experienced in 2003.

4. In terms of its organizational structure, VALMER redefined its organization with specialized areas consistent with the current needs of the market:

- Domestic fixed-income market
- International securities market
- Derivatives market

- Systems and communications
- Operating control
- Commercial

5. Our technological and communications infrastructure allows us to offer high-quality, secure and efficient services. In our web page at www.valmer.com.mx, we have incorporated new lookup functions and improved access to our extensive base of historic information.

In addition, we duplicated the access media for clients so that users can use the different vectors generated each day, and we have incorporated greater security measures through internal backups of databases and software applications, and "mirror" systems at the alternative computer center, to guarantee uninterrupted functioning of the valuation processes.

6. The services VALMER supplies today now include:

- Pre-calculated matrix of market risks.
- Corporate base.
- Government base.
- Eurobond base (features and prices).
- Historic data bases; and
- more than 60 valuation curves for spot and derivatives valuations

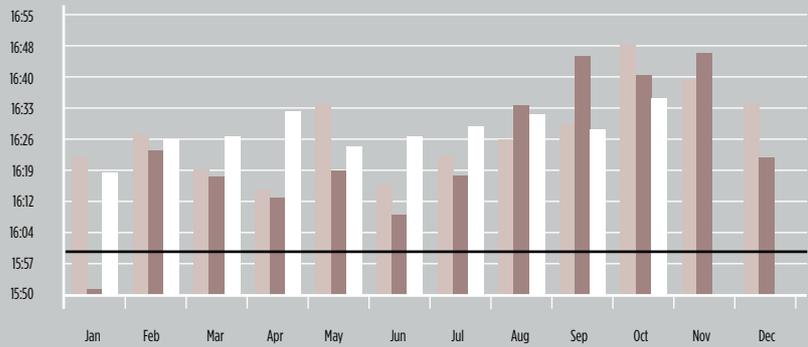
Market Share by Institution

	% VALMER	% Competition
RETIREMENT FUNDS (AFORES)	15%	85%
INSURANCE FIRMS	36%	64%
BANKS*	59%	41%
BROKERAGE FIRMS	62%	38%
OTHERS	72%	28%
MUTUAL FUND MANAGERS	69%	31%

*Measured by number of institutions. Includes development banks.

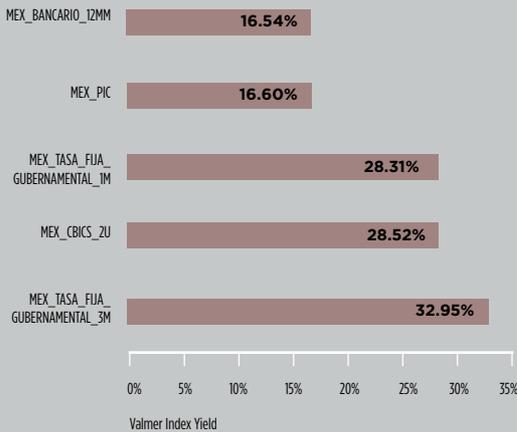


Delivery Times (Monthly average in 2003)

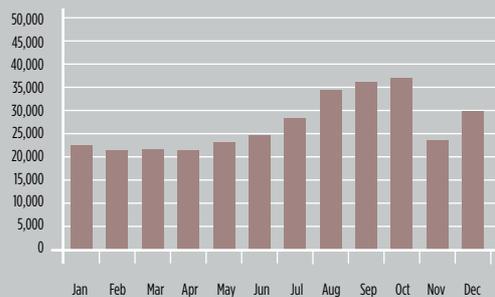


Source: CONSAR

Top Yielding Indexes in 2003



Monthly Hits 2003 Valmer Web Page



Delivery times

One of our primary goals for 2003 was to keep our commitment to clients, coming in first (for the second year in a row) in average delivery time of the price vector in the year. These times were attained despite substantially longer times in October and November during the integration of systems and procedures between VALMER and GBS.

In 2003, the average delivery time of the vector was 4:23 p.m.

Indexes and benchmarks

In 2003, we broadened publication of the indexes and benchmarks section of our web page, and it now contains 36 government fixed-income indexes, 4 corporate indexes, 3 bank indexes and 4 money market indexes. At the same time, we opened a new section in which users can create indexes bases on their own specific needs and criteria. In 2003, the top-performing indexes were mainly in the government category.

Risk measurement

In November 2002, the National Banking and Securities Commission approved the request we put before it, confirming that VALMER could supply the service of financial risk measurement, which we began to do in 2003. Currently, VALMER has a number of products created to meet the need for comprehensive risk valuation of investment portfolio.

Among these products are historic VaR, parametric VaR, stress tests, scenario analysis, sensitivity

metrics and the generation of various matrices of historic change, used for the measurement of risks in retirement mutual funds (Siefores).

Distribution Media

a) SETRIB

In 2003, we incorporated new transmission formats to meet our clients' demand for the use of this private information supply network.

b) REUTERS

At the initiative of VALMER, and with the support of Reuters, we concluded the programming of RICs (Reuters Instrument Codes), giving our clients more alternatives and distribution channels for our information, and maximizing the use of all the tools of this system.

c) BLOOMBERG

MXYC < GO > is the answer to demands from Bloomberg users for information regarding yield curves. This company launched 40 new yield curves for the short- and long-term government, bank and corporate bond market, supplied by VALMER.

In addition, to distribute our information more widely, we formed strategic alliances with other foreign information vendors, as part of our dissemination objectives.

d) INTERNET

As part of a process of continual improvement, we made changes to VALMER's web page. We incorporated new and useful services, like personalized creation and lookup of instrument portfolios

and access to historic information on prices, vectors, curves, historic risk factors, spreads and exchange rates.

In addition, VALMER increased the range of additional products and services available to clients through its web page, and successfully completed the installation of personalized access codes for users of daily, historic and portfolio lookups. To date, we have more than 700 users with standing lookup privileges, and many others with partial access or access for research and investigation.

e) Other access media

To benefit our clients and facilitate the delivery of our products and services, we expanded the media through which we transmit information:

- RAS (Random Access Service via modem)
- FTP (File Transfer Protocol)
- E-mail

Valuation Committee

VALMER has a policy of revising each and every one of our processes, from the compilation of market information to inter/extrapolation to documentation and valuation methodologies. This process has allowed us to improve the methodology for curve generation and the models used for various existing instruments.

The most important methodological changes made in the Valuation Committee meetings of 2003 were:

- Expansion of the rate interpolation methodology.
- Obtaining nodes for government and bank instruments.
- Change in corporate instrument modeling.
- Change and revision of stock methodology.
- Change and revision of the bank curve assignment methodology.
- Change and revision of the calculation methodology for add-on rates.
- Modification of the methodology of determining nodes for forwards



and IRS.

- Change in the extrapolation methodology for 15 and 30-year curves.
- New methodology for valuating credit linked notes.

Information sources

All of VALMER's benchmarks enjoy high quality and reliability, as they are obtained directly from the primary sources, reducing the margin of error. These include:

1. The Mexican Stock Exchange.
2. SIF Garban Intercapital and other electronic brokers.
3. MexDer (Mexican Derivatives Exchange).
4. S.D. Indeval (securities depository)
5. Rating Agencies (Fitch, Moody's, S&P).
6. Securities issuers (through EMISNET).
7. Electronic information systems (Bloomberg, Reuters, etc.).
8. Intermediaries, through daily surveys by market specialist.

Financial aspects

At the close of 2003, we had increased our billing by 33% over the previous year's close. This increase was the result of a larger

client base as well as the addition of new products and services.

In order to support the company's technological development and infrastructure, in November our shareholders contributed a capital increase that would help us to sustain our development over the long term.

▮ Vision for 2004

In 2004, VALMER will focus its efforts on consolidating a number of projects under development, among them:

1. Re-engineering of valuation processes.
2. Valuation of derivative products.
3. Updating methodologies (continuous improvement process)
4. New hardware architecture.
5. Data base centralization.
6. ISO 9001-2000 quality certification.
7. Certification of methodologies in the derivatives product area.
8. Risk products.
9. Automated customer service system.

We at VALMER reiterate our commitment to continue innovating and broadening the range of services and tools available to our clients, keeping pace with the progress in our securities market and financial system. With this purpose, we will work on the following priorities, among others, in 2004:

- Generating partial vectors for intraday portfolio valuation.
- Substantially reducing delivery times for definitive vectors.
- Creating a position for ourselves in the valuation of derivatives, taking advantage of Algorithmics technology.

- Incorporating on-line valuation models through the Internet.
- Generating more specialized inputs for risk management areas.

The challenges posed by the markets will guide us in reinforcing our operating structures so that we can continually improve our efficiency, transparency and timeliness in each one of our services.

VALMER is distinguished by its personnel, who have extensive training in developing additional services, serving customers and responding quickly and effectively to new needs from clients and from the authorities. These characteristics allow us to standardize our operating procedures and valuation criteria so that we can face new challenges in 2004. Next year, we plan to include valuation models on foreign securities and obtain input from these markets as well.

In 2004, the Valuation Committee will revise the new Operating Manual, which contains the methodologies on products and instruments, the derivatives models, and the processes for extracting market information used to correctly value instruments and generate curves.

Also this year, we intend to

bolster our strategic alliances with local and foreign information vendors, so that we can lower operating costs by creating models and services for these participants.

Finally, VALMER is committed to earning ISO 9001-2000 quality certification of its processes, as well as its valuation models and derivatives area systems.

Shareholders

1. Bolsa Mexicana de Valores, S.A. de C.V.

2. Algorithmics Inc.

Algorithmics Incorporated is a Canadian firm founded in 1989 by Dr. Ron S. Dembo, in response to the complex topics surrounding risk management. Its purpose was to measure and pro-actively manage risk to determine the total exposure of a financial institution. Since that time, Algorithmics software has spearheaded technological tools for risk measurement, helping more than 140 clients around the world, in 26 countries, to measure their risk and manage their capital.

It is currently a leading software supplier, with the most experienced staff in the industry, developing and merchandizing risk management solutions that reflect the growing complexity of the financial markets and growing regulatory pressures. Algorithmics introduced its proprietary “Mark to Future” methodology, which won the Technology Development of the Year Award in 2001 from the prestigious magazine Risk.

Fourteen years after its founding, Algorithmics Inc. has more than 490 employees, 400 of them engaged in software development; 15 offices around the world; and 140 clients with 150 facilities in 26 different countries. Its main offices are in Toronto, and it also has offices in Bridgetown, Philadelphia, Frankfurt, Johannesburg, London, Madrid, Mexico City, New York, Paris, Rio de Janeiro, Singapore, Sydney, Tokyo and Vienna.

Algorithmics has more than ten years of experience measuring financial risk in the Mexican markets, and is a market leader with its product “RiskWatch.” The professionals at Algorithmics Mexico are solidly trained and oriented toward generating results and creating volume. This is why more than half of them have experience not only in the local market but also in international markets in countries like Brazil, France, Italy and South Africa, among others.

Corporate Officers

Gerardo Gamboa Ortiz
Chief Executive Officer

Miguel Ángel Sandoval
Derivatives Operations-International

Miguel Angel Torres Canseco
Domestic Market

Jesús Rodríguez Rodríguez
Risk Management

Alejandro Castro Gallardo
Commercial

Salvador Saavedra
Systems



Contact | Grupo BMV

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