

(Add) RITCH MUELLER

~~June 6~~ December 5, 2023 2025

International Swaps and Derivatives Association, Inc.

10 East 53rd Street, 9th Floor
New York, NY 10022
United States of America

Futures Industry Association

2001 K Street, NW
Suite 725, North Tower
Washington, D.C. 20006

RE: MEMORANDUM OF LAW FOR THE INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC. AND THE FUTURES INDUSTRY ASSOCIATION

Dear Sir or Madam,

We have been instructed by the International Swaps and Derivatives Association, Inc. (“ISDA”) and the Futures Industry Association (“FIA”), to give an opinion as to (1) the enforceability under the laws of the United Mexican States (“Mexico”) of the Position Liquidation, Margin Liquidation and Determination of Account provisions (as such terms are defined below, collectively, “remedial provisions”) of a customer agreement (the “Covered Agreement”) pursuant to which a futures commission merchant (the “FCM”) registered with the Commodity Futures Trading Commission (the “CFTC”) clears Futures and/or Cleared Swaps for a customer located in ~~your jurisdiction~~ Mexico (the “~~Covered Customer~~”) and (2) the validity, perfection and enforcement of the security interest granted the FCM by the Customer under the Covered Agreement in the Collateral (as defined below).

Pursuant to what you have indicated that, if a Customer clears only Futures, the Covered Agreement generally consists will consist of (1) a customer account agreement (at the “Base Account Agreement”) if. If the Customer clears only Cleared Swaps or both Futures and Cleared Swaps, the Covered Customer trades only Futures, and (2) Agreement will consist of a Base Account Agreement and together with a Cleared Derivatives Addendum substantially in the form published by FIA and ISDA in 2012 or 2018 (either, the “CDA”) if the Covered Customer trades only Cleared Swaps or trades both Futures and Cleared Swaps. As each of the Base Account Agreement and CDA has its own remedial provisions, ~~our~~ your opinion addresses should address the enforceability of the provisions of each of the Base Account Agreement and CDA that, upon an Event of Default with respect to the ~~Covered Customer,~~ provide the FCM the right to engage in Position Liquidation, Margin Liquidation and a Determination of Account to determine a single balance of account as between the FCM and the ~~Covered Customer.~~ Customer. As the FCM’s exercise of the remedial provisions may involve the enforcement of the FCM’s security interest in the Customer’s rights and interests in respect of the Collateral, your opinion should also address the validity, perfection and enforcement of the FCM’s security interest. The enforceability of ~~such~~ the remedial provisions ~~is~~ and the validity, perfection and enforcement of the security interest are of importance to FCMs that clear Futures and/or Cleared Swaps pursuant to Covered Agreements as a matter of both credit risk assessment and considerations of capital adequacy.

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(Add) AV. PEDREGAL No.24, PISO 10
MOLINO DEL REY, 11040, CIUDAD DE MÉXICO
T: +52 (55) 9178-7000

RITCH.COM.MX

Capitalized terms used but not otherwise defined herein, will have the meaning ascribed to them in the [Summary Annex-memorandum of law, dated November 17, 2021, delivered by Sullivan & Cromwell LLP to ISDA/FIA \(the “S&C Memo”\), which provides an overview of the FCM clearing model in Sections I through XI \(and which can be found here: Microsoft Word - FIA-ISDA 2021 Memorandum 4829-5794-1199 v.11.docx\), and the annex attached hereto this letter \(the “Summary Annex”\), which provides a high-level overview and summary of the main concepts covered, conclusions reached and certain factual assumptions taken in the S&C Memo. We are providing the S&C Memo and Summary Annex to help you understand the FCM clearing model and applicable US laws and regulations.](#)

This opinion should not be viewed as an opinion with respect to the validity or enforceability of any specific Futures Transaction or Cleared Derivatives Transaction¹. This opinion refers only to the enforceability of the remedial provisions of certain Covered Agreements upon a ~~Covered~~ Customer’s Event of Default, assuming each has been duly executed by authorized representatives of the parties and assuming further that those parties had obtained all required authorizations in order to enter into such agreement and transactions.

The opinions expressed herewith cover all banks (*instituciones de banca múltiple*), broker dealers (*casas de bolsa*), insurance companies (*instituciones de seguros*), investment funds (*fondos de inversión*), pension funds (*sociedades de inversión especializadas en fondos para el retiro*) and corporations organized in Mexico (*sociedades anónimas, sociedad en nombre colectivo, sociedades de comandita simple, sociedades en comandita por acciones, sociedades cooperativas, sociedades de responsabilidad limitada*, including corporations organized in Mexico under the variable capital regime such as the *sociedad de responsabilidad limitada de capital variable*, as well as listed corporations or *sociedades anónimas bursátiles*), as well as branches of corporations other than banks, broker dealers, insurance companies or other financial entities, individuals who are merchants and trusts. A Mexican bank is a Mexican *sociedad anónima* organized pursuant to the *Ley de Instituciones de Crédito* (the “Banking Law”²) authorized to act as a bank by the *Secretaría de Hacienda y Crédito Público* (the “Ministry of Finance”) or the *Comisión Nacional Bancaria y de Valores* (the “National Banking and Securities Commission” or the “CNBV”). A Mexican broker dealer is a Mexican *sociedad anónima* organized pursuant to the *Ley del Mercado de Valores*³ (the “Securities Market Law”) authorized to act as a broker dealer by the CNBV. A Mexican insurance company is a Mexican *sociedad anónima* organized pursuant to the *Ley de Instituciones de Seguros y Fianzas*⁴ (the “Insurance Companies Law”) authorized to act as an insurance company by the Ministry of Finance. A Mexican investment fund is a Mexican *sociedad anónima* organized pursuant to the *Ley de Fondos de Inversión*⁵ (the “Investment Funds Law”) authorized to act as an investment fund by the CNBV. A Mexican pension fund is a Mexican *sociedad anónima* organized pursuant to the *Ley de los Sistemas de Ahorro para el Retiro*⁶ (the “Retirements Fund System Law”) authorized to act as a pension fund by the *Comisión Nacional del Sistema de Ahorro para el Retiro* (the “National Commission for the Retirement Fund System”). Except for individuals and trusts, the above referred entities and Mexican corporations are also governed by the *Ley General de Sociedades Mercantiles*⁷ (the “General Corporations Law”). Please note that banks,

¹ No negative inference should be drawn from this limitation.

² Published in the Official Gazette on July 18, 1990 and amended several times.

³ Published in the Official Gazette on December 30, 2005 and amended several times.

⁴ Published in the Official Gazette on April 4, 2013 and amended several times.

⁵ Formerly the “Ley de Sociedades de Inversión”, published in the Official Gazette on June 4, 2001 and amended several times.

⁶ Published in the Official Gazette on May 23, 1996 and amended several times.

⁷ Published in the Official Gazette on August 4, 1934 and amended several times.

broker dealers and insurance companies established in the United States, Canada, the European Union, the European Free Trade Zone and Japan may establish subsidiaries in Mexico, after obtaining authorizations from the Ministry of Finance. Such subsidiaries are considered for all purposes Mexican banks, broker dealers and insurance companies, as the case may be. No branches of foreign banks, broker dealers, insurance companies or other financial institutions are permitted in Mexico. Branches of other types of corporations are permitted under Mexican law.

Please note that the sections of this opinion related to insolvency do not cover the federal government of Mexico, the Ministry of Finance, states and municipalities⁸, Petroleos Mexicanos and its subsidiaries/affiliates (“Pemex”), Instituto para la Protección al Ahorro Bancario (“IPAB”), Banco Nacional de Comercio Exterior, S.N.C. (“Bancomext”), Sociedad Hipotecaria Federal, S.N.C. (“SHF”), Banco de Obras y Servicios Públicos, S.N.C. (“Banobras”), Nacional Financiera, S.N.C. (“NAFIN”), Sociedad Hipotecaria Federal, S.N.C. (“SNF”), Banco de Ejército, Fuerza Aérea y Armada, S.N.C. (“Banjercito”), the Comisión Federal de Electricidad and its subsidiaries/affiliates (“CFE”), Banco ~~Nacional del Ahorro y Servicios Financieros del Bienestar~~, S.N.C., I.B.D. (“Bansefi”), public trusts, including the Fondo de Apoyo a Estados y Municipios (“Foaem”), the Fideicomisos Instituidos en Relación con la Agricultura (“FIRA”) which is integrated by Fondo Especial de Asistencia Técnica y Garantía para Créditos Agropecuarios (“FEGA”), Fondo de Garantía y Fomento para la Agricultura (“FONDO”), Fondo Especial para Financiamientos Agropecuarios (“FEFA”) and Fondo de Garantía y Fomento para las Actividades Pesqueras (“FOPESCA”) and similar government-owned entities not organized as *sociedades mercantiles* and not subject to Insolvency Proceedings (as such term is defined below) (collectively, the “Government Entities”)⁹, as they are not subject to bankruptcy, but netting will be permitted as described below. The Government Entities are not corporations and were created pursuant to a specific law or regulation. This opinion does not cover international organizations, international development banks and similar organizations established between sovereigns. Individuals engaging in any act that may be deemed to be of commercial nature are considered “merchants”.

Although the laws referred to above include specific provisions regarding the bankruptcy of Mexican financial entities (except for banks) all netting provisions, if any, discussed herein are governed by the *Ley de Concursos Mercantiles*¹⁰ (the Law on Commercial Reorganizations, the “Commercial Insolvency Law”).

In respect to banks, the Banking Law creates a special judicial liquidation procedure (*liquidación judicial*) for insolvent banks. This procedure shall take place in the event that the National Banking and Securities Commission revokes the authorization of a bank to organize and operate as a banking institution, if the banking institution has no positive capital (meaning that its assets are insufficient to cover its debts)¹¹.

⁸ Please note that states and municipalities cannot enter into any transaction that may result in a debt with any non-Mexican parties.

⁹ Although there could be many other Government Entities, the Government Entities covered here are the ones who would typically engage in Transactions.

¹⁰ Published in the Official Gazette on May 12, 2000.

¹¹ The authorization granted to a Mexican bank to operate may be revoked if (i) the relevant bank has not been incorporated within three months after the authorization has been granted or does not start operations within six months of the date the relevant by-laws are approved by the CNBV, (ii) the shareholders resolve to request the CNBV the revocation of the authorization, (iii) the bank is dissolved or initiates a process for its liquidation, (iv) the bank does not comply with the corrective measures imposed by the CNBV to recapitalize the bank, (v) the bank does not comply with the minimum capitalization ratio established under Article 50 of the Banking Law and the regulations thereunder, (vi) (a) the bank defaults obligations in excess of 20 million *unidades de inversión* with

Circular 4/2012¹² of *Banco de México* (Mexico's central bank, hereinafter "Banco de México") provides that Mexican banks, broker dealers, investment funds and non-banks banks to trade with derivatives in (i) recognized markets or (ii) using master agreements approved by ISDA or agreements that follow the principles of ISDA. The Covered Base Agreement would be recognized as one of the agreements following such principles. Recognized markets for banks, broker dealers, investment funds and non-bank banks ("Recognized Markets for Banks") are defined in Circular 4/2012 as those derivatives markets (i) organized under the *Reglas a las que habrán de Sujetarse los Participantes del Mercado de Contratos de Derivados* (Rules Applicable to Participants in Listed Derivatives Markets; the "Rules") issued by the CNBV¹³, which currently is only Mexder, Mercado Mexicano de Derivados, S.A. de C.V. ("Mexder"), (ii) derivatives markets established in the European Union and the Organization for the Cooperation and Economic Development ("OECD") and (iii) derivatives markets organized in countries whose financial authorities are members of the board of the International Organization of Securities Commissions ("IOSCO"). Banco de México has issued together with the National Commission for the Retirement Fund System has issued Circular 6/2013 regulating derivatives transactions entered by pension funds¹⁴, that requires that master agreements used by pension funds must be either master agreements approved by ISDA or master agreements approved by the National Commission for the Retirement Fund System or to enter into the Futures Transactions in MexDer or derivatives markets established in countries members of the OECD, the European Union or those whose authorities are members of the board of IOSCO, the Committee on the Global Financial System of the International Settlement Bank ("BIS"), the Pacific Alliance ("AP") or those countries whose securities

respect of (i) loans or credits granted by Mexican or foreign banks or Banco de México, (ii) principal or interest of debt securities deposited with a securities depository or (b) the bank defaults during two days on an aggregate basis the performance of obligations in excess of 2 million *unidades de inversion* with respect of (x) payments to be made to participants in a clearing system or to a central counterparty in such systems or (y) checks or deposits, and (vii) if the bank's assets are insufficient to cover its debts.

¹² Circular 4/2012 provides that Mexican banks may enter into futures, forwards, options, swaps, credit default derivatives, total return swaps and structured notes in respect of (i) shares, groups of shares and certificates representing shares listed on stock exchange markets, (ii) shares indexes with respect to securities listed on stock exchange markets, (iii) local and foreign currency and UDIS, (iv) inflation price indexes, (v) nominal and real interest rates, including those referring to debt instruments, and indexes referred to such rates, (vi) loans and credits, (vii) gold and silver, (viii) yellow corn (maize), wheat, soybeans, sugar, rice, sorghum (sorgo), cotton, oats, coffee, orange juice, cocoa, barley, milk, canola, soybean oil and soybean pasta, (ix) lean value hog carcasses, bovine livestock and porcine livestock, (x) natural gas, heating oil, gas oil, gasoline and crude oil, (xi) aluminum, copper, nickel, platinum, lead and zinc, and (xii) futures, forwards, options and swaps with respect to the underlying assets referred to above.

¹³ Published in the Official Gazette on December 31, 2006.

¹⁴ Circular 6/2013 issued by Banco de México and the National Commission for the Retirement Fund System (*Comisión Nacional del Sistema de Ahorro para el Retiro*, ("Consar") provides that Mexican Pension Funds may enter into futures, forwards, options and swaps over, (i) shares, groups of shares or baskets of shares and share referenced securities, trading in the exchange of a country approved by the Consar, (ii) shares indexes trading in the exchange of a country approved by the Consar, (iii) local and foreign currency and UDIS, (iv) inflation price indexes, (v) nominal and real interest rates or surcharges, in respect to any type of debt security, (vi) gold and silver, (vii) yellow corn (maize), wheat, soybeans, sugar, rice, sorghum (*sorgo*), cotton, oats, coffee, orange juice, cocoa, barley, milk, canola, soybean oil and soybean pasta, (viii) lean value hog carcasses, bovine livestock and porcine livestock, (ix) natural gas, heating oil, gas oil, gasoline and crude oil, (x) aluminum, copper, nickel, platinum, lead and zinc, (xi) price indexes authorized by the Risk Analysis Committee created under the Retirement Fund System Law, conformed by prices of derivatives transactions over raw materials, and (xii) any other authorized by Banco de México.

exchanges belong to the Latin-American Integrated Market (“MILA”) or countries that have entered into free trade agreements with Mexico (“Recognized Markets for Pension Funds”). The National Bond and Insurance Commission has issued the General Rules for Insurance Companies governing derivatives transactions entered by insurance companies which requires that master agreements used by insurance companies must be either master agreements approved by the ISDA or agreements that follow the principles of ISDA or that Futures Transactions are traded on MexDer or derivatives markets established in countries members of BIS, European Union, MILA or members of the OECD that have entered into a free trade agreement with Mexico (the “Recognized Markets for Insurance Companies” and together with the Recognized Markets for Banks and the Recognized Markets for Pension Funds, the “Recognized Markets”). The Covered Base Agreement would be recognized as one of the agreements following such principles.

Covered Transactions/Contracts

As explained above, the types of transactions that may be cleared for the ~~Covered~~ Customer pursuant to the Covered Agreement include US Futures, Foreign Futures and Cleared Swaps (together, “Covered Transactions” or “Covered Contracts”).

Covered Types of Customers

Appendix A covers the scope of “Customers” covered by this opinion.

Generally Applicable Assumptions

For purposes of this opinion, we have assumed that the statements contained in (i) the instruction letter, (ii) the ~~legal memorandum that analyzes the FCM model that has been prepared by Sullivan & Cromwell LLP for ISDA and FIA (the “S&C Memo”) and (iii) the Summary Annex, which provides a high-level overview and summary of the main concepts covered, conclusions reached and certain factual assumptions in the S&C Memo (the “Summary Annex”);~~ Summary Annex, are true and correct.

You have explained to us that under Section XI.A.2 of the S&C Memo and paragraphs 2.3, 2.4, 2.9 and 2.10 of the Summary Annex, upon an Event of Default with respect to the Customer, the remedial provisions of the Base Account Agreement typically provide that the FCM would have a right to, among other things, (1) close out or otherwise liquidate the Customer’s open positions in its Covered Contracts, and hedge risk incurred by the FCM in connection with the Event of Default, by any reasonable method, including by means of entering into offsetting contracts, risk-reducing contracts or hedging contracts, and by valuing any contracts entered into by the FCM (“Position Liquidation”), (2) treat the Customer’s obligations to the FCM to be due and immediately payable and net or set off any obligations of the Customer to the FCM with or against any obligations of the FCM to the Customer and (3) sell, liquidate or otherwise dispose of the Customer’s collateral consisting of securities and other non-cash assets and apply the proceeds therefrom to, or net or set off the value of such proceeds with or against, any amounts due from the Customer to the FCM (“Margin Liquidation”). In connection with exercising Position Liquidation and Margin Liquidation, the FCM would make a determination of a single balance or net termination amount due from one party to the other in respect of each Account Class and all Account Classes on an aggregate basis (a “Determination of Account”). The CDA provides the FCM with comparable remedies upon the occurrence of an Event of Default.

Please note that (1) “Position Liquidation” includes hedging by the FCM of risk incurred by the FCM in connection with the ~~Covered~~ Customer’s Event of Default (as well as the FCM’s close-out or

other liquidation of the ~~Covered~~ Customer's open positions in Covered Contracts) and (2) "Margin Liquidation" refers to the sale, liquidation or other disposition of securities only (and not also to the sale, liquidation or other disposition of any non-cash assets other than securities).

PART I. ~~Position Liquidation, Margin Liquidation and Determination of Account~~ POSITION LIQUIDATION, MARGIN LIQUIDATION AND DETERMINATION OF ACCOUNT

A. Additional Assumptions

You have explained to us that the Position Liquidation methods available to the FCM to close out or otherwise liquidate the Customer's open positions in Covered Contracts are described in Section XI.A.2 of the S&C Memo and paragraph 2.5 of the Summary Annex. Further, As explained in Sections XI.A.2 and XI.B.1 of the S&C Memo, the FCM could effect the close-out or liquidation of the Customer's open positions in Covered Contracts credited to the FCM's omnibus customer position accounts at DCOs and Foreign Futures Brokers by exercising its contractual rights under the rules of such DCOs and provisions of its clearing agreements with such Foreign Futures Brokers that the FCM has by virtue of being the legal owner of, and the party in contractual privity with such DCOs and Foreign Futures Brokers, under the Covered Contracts cleared for the Customer. Additionally, in engaging in such Position Liquidation, the FCM would not act in its capacity as the Customer's agent. Rather, upon the Event of Default, the FCM would be viewed as acting in its principal capacity as it would no longer be required under the Covered Agreement to follow the Customer's instructions and would be permitted to act in its own interest (subject to any requirements of the Covered Agreement, which may require the FCM to act in a commercially reasonable manner). Such Position Liquidation would not be a foreclosure, and the FCM would not need to enforce its security interest in the Customer's rights and interests in respect of the Covered Contracts. In answering the below questions, we have further assumed that the FCM would seek to characterize itself as (i) effecting the closeout or liquidation of the Customer's open positions by exercising its rights provided to it in the rules of a DCO or the clearing agreement with a Foreign Futures Broker as the legal owner of, and the party in contractual privity with the DCO or Foreign Futures Broker under, the Customer's Covered Contracts and (ii) acting in a principal capacity and not as the Customer's agent in exercising such rights.

Regarding Margin Liquidation, you have explained to us that in terms of Section XI of the S&C Memo and paragraph 2.8 of the Summary Annex, the FCM may also effect Margin Liquidation by exercise of its rights as a secured party to enforce its security interests in the Customer's rights and interests in respect of Collateral consisting of securities and sell, liquidate or otherwise dispose of such securities.

Regarding the Determination of Account, you have further detailed to us that in terms of Sections XI.A.2 and XI.A.3 and paragraph 2.11 of the Summary Annex, a Determination of Account by the FCM may be viewed, consistent with the intention of the parties that the Customer Account constitute a mutual, open and running account, as an accounting procedure to determine a running account balance that does not involve netting or set-off of distinct independent obligations of the parties or the FCM's enforcement of its security interest in the Customer Account or cash credited thereto to bring about a single debt claim of one of the parties. However, if the intention of the parties is not honored, the Determination of Account could also be viewed as involving netting or set-off (of, for example, the respective obligations of the FCM to account for trading gains or to repay the positive cash balance of the Customer Account against the Customer's obligations to pay an amount equal to trading losses and other chargeable costs) or enforcement of the FCM's security interest in the rights and interests of the Customer in the Customer Account or cash credited thereto or otherwise due to the Customer.

In consequence, we have further assumed that (i) a determination of a running account balance that is an accounting procedure not involving netting or set-off or enforcement of the security interest or (ii) involving netting or set-off.

In terms of the abovementioned, we have the following additional assumptions:

1. ~~(a)~~ The FCM and ~~Covered~~ Customer enter into a Covered Agreement (consisting of a Base Account Agreement and CDA) pursuant to which the FCM ~~establishes on its~~ maintains one or more accounts in the name of the Customer on the FCM's books and records ~~in the Covered Customer's name~~, and the ~~Covered~~ Customer authorizes the FCM₂ to execute, clear and carry, US Futures, Cleared Swaps and/or Foreign Futures on behalf of the ~~Covered~~ Customer ~~in a US Futures Account, a Cleared Swaps Account and a Foreign Futures Account, respectively~~ (individually or collectively, the "Customer Account" or the "Account").
2. ~~(b)~~ Each of the Base Account Agreement and the CDA is governed by New York law.
3. ~~(c)~~ On the basis of the terms and conditions of the Covered Agreement and other relevant factors and acting in a manner consistent with the intentions stated in the Covered Agreement, over time, ~~the Covered~~ open positions are established for the Customer ~~trades a number of in~~ Covered Contracts that are cleared and carried in or credited to the Customer Account.
4. ~~(d)~~ Some of the Covered Contracts cleared for the Customer provide for an exchange of cash and others provide for the physical delivery of shares, bonds or commodities in exchange for cash.
5. ~~(e)~~ After commencing ~~trading~~ clearing and while the ~~Covered~~ Customer has open positions ~~in~~ Covered Contracts, the ~~Covered~~ Customer, which is organized in ~~your jurisdiction~~ Mexico, becomes the subject of a formal bankruptcy, insolvency, liquidation, reorganization, administration or comparable proceeding (collectively, the "insolvency") under the insolvency laws of ~~your jurisdiction~~ Mexico and, ~~as a result~~, an Event of Default ~~has accordingly occurred~~ occurs under each of the Base Account Agreement and CDA. If there are different types of insolvency proceedings under the laws of ~~your jurisdiction~~ Mexico (for example, bankruptcy or liquidation proceedings where an entity does not emerge as a going concern, on the one hand, and a reorganization or administration proceeding where an entity is restructured and does continue as a going concern, on the other hand), please briefly describe the different types of proceedings and answer each question with respect to each such proceeding.
6. ~~(f)~~ Subsequent to the commencement of the insolvency, either the ~~Covered~~ Customer or an insolvency official seeks to challenge or otherwise prevent Position Liquidation, Margin Liquidation or ~~operation of the~~ Determination of Account (by, for example, ~~assuming~~ seeking to assume the profitable open positions, and to reject unprofitable open positions, in Covered Transactions Contracts cleared for the ~~Covered~~ Customer ~~and rejecting its unprofitable~~ Covered Transactions).

B. Questions to be Addressed

1. *Would the parties' agreement on governing law and submission to jurisdiction set out in each of the Base Account Agreement and CDA be given effect by a court in ~~your jurisdiction~~ Mexico, and what would be the consequences if they were not?*

In general, a customer which is party to a Base Account Agreement or a CDA, may validly (i) agree to New York as the governing law and (ii) submit to the jurisdiction of the courts of the State of New York with respect to its obligations under the Base Account Agreement and CDA or other agreements and, if the submission to the jurisdiction of New York courts is made properly, a Mexican court will decline jurisdiction over a dispute arising out of the Base Account Agreement and CDA.

Mexican parties may select foreign law to govern its agreements unless (i) foreign law was used to evade fundamental principles of Mexican law and (ii) the foreign law or its application would violate fundamental principles of Mexican law. In our view, the selection of New York law to govern the Base Account Agreement and the CDA would not evade fundamental principles of Mexican law or violate fundamental principles of Mexican law and therefore it would be valid and enforceable.

Under Article 1093 of the *Código de Comercio* (the “Commerce Code”), a party may submit to a jurisdiction different from its own if (i) the relevant party waives clearly and definitively the jurisdiction that the law affords it; and (ii) submits to the competent courts of any one or more of (x) the domicile of any of the parties, (y) the place of performance of any of the contracted obligations, or (z) the location of the property. In order to be valid, both parties must submit to the jurisdiction of the relevant court.

It is important to clarify, however, that even though the agreement might be governed by laws different from Mexican law, insolvency proceedings in respect of a customer should take place in Mexico according to Mexican insolvency laws. In Mexican insolvency proceedings, choice of law provisions in the agreement should be upheld even though the insolvency proceedings are governed by Mexican law.

If the submission to jurisdiction clause is not valid, a Mexican court would not enforce a judgment rendered by the relevant foreign court.

We understand that typically, a customer will submit to the non-exclusive jurisdiction of the New York courts, and does not expressly waive the jurisdiction of the Mexican courts. However, we recommend the parties to amend the drafting of the Jurisdiction clause to read as follows:

*“**Jurisdiction.** With respect to any dispute, claim, difference or controversy arising out of, relating to or having any connection with this Agreement, including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (“**Proceedings**”), each party irrevocably: (i) submits to the exclusive jurisdiction of the New York courts; and (ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.”*

2. ***Would the Position Liquidation provisions of each of the Base Account Agreement and the CDA be enforceable under the laws of Mexico and each of the Position Liquidation methods described in Section XI of the S&C Memo and paragraph 2.42.5 of the Summary Annex be recognized and upheld by a court in Mexico? If a particular Position Liquidation method would either not be upheld or may could be challenged, please provide further detail and explain the reason for this. Are there any circumstances in Mexico, including any moratorium, stay, freeze or other consequence of the***

commencement of an insolvency proceeding, that might affect the FCM's ability to exercise Position Liquidation?

In responding to this question, we assume that in exercising the Position Liquidation, the FCM would utilize one or more of the methods described below and that in doing so, it would be considered for purposes of New York law to be acting as a principal and not as the agent of the customer.

Position Liquidation and Margin Liquidation

~~There are multiple Position Liquidation methods available to the FCM to close out or otherwise liquidate the Customer's open position in a Futures or Cleared Swaps Contract. Each of the methods seeks to "remove" or "close out" the position from the relevant omnibus customer positions account (whether at a DCO or foreign clearing organization). For example, subject to DCO or foreign clearing organization rules and operational feasibility, a FCM may close out an open position by:~~

~~(i) offsetting it with an equal and opposite transaction (an "offsetting transaction") executed by or on behalf of the FCM (or by the FCM's Foreign Futures Broker upon the instruction of the FCM), which position may be either (x) directly credited to the FCM's omnibus customer positions account with the DCO (or the Foreign Futures Broker's omnibus customer positions account maintained by the foreign clearing organization) in which the Customer's open position is carried or (y) initially credited to the FCM's house account and subsequently transferred to the FCM's omnibus customer positions account resulting, in either case, upon recordation in the omnibus customer positions account, in cancellation of both the original position and the offsetting transaction; or~~

~~(ii) causing the relevant DCO or foreign clearing organization to debit or otherwise remove the position from the FCM's omnibus customer positions account (or the Foreign Futures Broker's omnibus customer positions account maintained by the foreign clearing organization) by book entry transfer of the position to either the FCM's house account or a third party's account, which in either case may be completed as a single position transfer or as part of a transfer of a portfolio of open positions.~~

~~In addition to the close out methods available to the FCM, some of which are described above, the FCM also may enter into (or cause the FCM's Foreign Futures Broker to enter into) one or more transactions in order to hedge or otherwise manage risks it incurs in connection with the liquidation of the Customer Account. These hedging transactions may be executed in either the FCM's omnibus customer positions account or the FCM's house account, or the Foreign Futures Broker's omnibus customer positions account maintained by the foreign clearing organization, in each case, as necessary.~~

~~In the case of all close out and hedging methods, the FCM must determine the related gains and losses realized and make corresponding debits or credits to the cash balance of the Customer's Account. The Position Liquidation method has implications for the determination of gains and losses realized in connection with the close out, which may or may not correspond to the value of such positions recorded by the applicable DCO or foreign clearing organization.~~

~~In addition to Position Liquidation, the FCM will exercise its Margin Liquidation rights to liquidate the securities and other non-cash assets credited to the Customer Account (to the extent necessary to generate cash proceeds to cover any deficit or debit balance). If the non-cash property has been deposited as margin with a DCO, or has been rehypothecated, then the FCM may either retrieve such property by exercising rights of substitution (or closing open positions)~~

~~and liquidate it, or determine the value of such property by reference to market prices or in some other commercially reasonable manner and credit the Customer for that value.~~

Legal characterization of Position Liquidation and Margin Liquidation

~~In effecting Position Liquidation, the FCM exercises its contractual rights as principal vis-à-vis the DCO under the relevant DCO rules (or the clearing agreement between the FCM and its Foreign Futures Broker), as permitted under the Customer Agreement. In doing so, the FCM acts as principal in the exercise of its contractual rights under the Customer Agreement (and in accordance with the terms of the applicable DCO rules or clearing agreement with the Foreign Futures Broker), and not as agent of the Customer or pursuant to any power of attorney granted by the Customer. This process is also not a foreclosure, and the FCM need not rely on its security interest in the Customer's Contracts to effect their close-out or liquidation.¹⁵~~

~~Similarly, in using Customer Funds, including the Customer's securities and other non-cash margin, to satisfy amounts due to the DCO, or to other parties, in the course of liquidating the Customer's Contracts, the FCM is exercising its right, granted under the Customer Property Rules, to "withdraw[] and appl[y]" Customer Funds to "to margin, guarantee, secure, transfer, adjust, or settle the Contracts or trades of such customers, or resulting market positions, with the clearinghouse organization of such contract market or derivatives transaction execution facility or with any member of such contract market or derivatives transaction execution facility." Again, this process is not a foreclosure, and the FCM need not rely on its security interest in the Customer Funds consisting of securities to effect their liquidation or use them in this manner.¹⁶~~

Yes, the Position Liquidation provisions of each of the Base Account Agreement and the CDA, and each of the methods described in Section XI of the S&C Memo and paragraph 2.4 of the Summary Annex, by which an FCM can bring about the liquidation of a ~~Covered~~ Customer's open positions in its Contracts, and hedge risk incurred by the FCM, upon the ~~Covered~~ Customer's Event of Default would be recognized and upheld in Mexico, subject to the discussions below. Mexican law provides that legal relationships (including the creation of a trust) validly created in any foreign jurisdiction in accordance with the respective laws thereof. Therefore, assuming that such methods are valid under New York law, the Position Liquidation provisions would be valid under Mexican law.

The Futures and Cleared Swaps, when duly executed by the parties that have the authority to do so and in accordance with the relevant rules applicable to each Recognized Market, will be the legal,

¹⁵. ~~As detailed in the Summary Annex, the FCM, as the contractual counterparty to the DCO (or Foreign Futures Broker) under, and the holder of legal title to, the Customer's Contracts, will exercise contractual rights granted to it by the DCO (or Foreign Futures Broker) to close the Customer's open positions in the Contracts, which will thereby terminate the Customer's beneficial interest in the Contracts. However, as noted in paragraph 1.38 of the Summary Annex, the FCM also has a perfected security interest in the Customer's Contracts and it could elect to exercise its rights as a secured party under the UCC to enforce the security interest and sell, liquidate or otherwise dispose of the Customer's Contracts.~~

¹⁶. ~~As detailed in the Summary Annex, although the FCM may effect Margin Liquidation pursuant to the authority granted to it under the Customer Property Rules and the Customer Agreement, the FCM may also exercise its rights as a secured party under the UCC, enforce its security interest in the Customer's consisting of securities and other non-cash assets and sell, liquidate or otherwise dispose of that Collateral in a commercially reasonable disposition (UCC § 9-610(a), (b)), and may itself purchase (or "buy in") the Collateral at a public disposition or, if the Collateral is of a kind that is customarily sold on a recognized market or the subject of widely distributed standard price quotations, at a private disposition (UCC § 9-610(e)).~~

valid, binding and enforceable obligation of the parties under the laws of Mexico and will take effect in accordance with their terms.

(i) Insolvency proceedings under the Commercial Insolvency Law:

Except for commercial banks, the only bankruptcy, composition, rehabilitation (e.g. administration, receivership or voluntary arrangement) or other insolvency proceeding to which a party which is not a commercial bank or a government entity incorporated in or with a branch in Mexico would be subject to, in Mexico, is the proceedings included in the Commercial Insolvency Law¹⁷¹⁵.

The Commercial Insolvency Law provides for a sole insolvency proceeding (*concurso mercantil*), encompassing two (2) successive phases: (i) a conciliatory phase of mediation among creditors and debtor, and (ii) bankruptcy. The objective of the conciliatory phase is to conserve or save the business enterprise through a restructuring agreement. On the other hand, the stated purpose of bankruptcy is to liquidate the business, as a whole or by sale of its individual assets, in order to repay its creditors (the above are together called “Insolvency Proceedings”).

(ii) Insolvency proceeding under the Banking Law:

The Banking Law includes a special judicial liquidation procedure (*liquidación judicial*) for insolvent commercial banks. This procedure will take place in the event that the CNBV revokes the authorization of a bank to organize and operate as a banking institution, if the capital of such banking institution is extinct (meaning that its assets are insufficient to cover its debts).

Pursuant to the Banking Law, the IPAB will act as liquidator of the corresponding bank, and will be empowered to carry out all acts towards the liquidation of the bank, including collecting all of the bank’s account receivables, selling of the bank’s assets, paying or conveying the bank’s debts and liquidating the bank’s shareholders if possible¹⁸¹⁶.

The liquidation procedure for banks under the Banking Law, unlike the Commercial Insolvency Law, does not foresee a conciliation stage prior to liquidation, where the bank could come to an agreement with its creditors to avoid liquidation. However, in the liquidation procedure the Banking Law does foresee the possibility for the IPAB to come to an agreement with all court acknowledged creditors, in order for them to receive payment in a preference different to the preference set forth in the Banking Law. In this respect, the agreement must be approved by the creditors holding at least 75% of the overall court acknowledged debt held by the bank in liquidation, and the remaining creditors may not oppose the agreement if pursuant to such, they are to receive the same or higher payment that the payment they would have received pursuant to the provisions of the Banking Law¹⁹¹⁷.

(iii) Insolvency of Government Entities.

¹⁷¹⁵ The Commercial Insolvency Law is applicable to “merchants”, which include corporations, broker dealers, insurance companies, pension funds and individuals engaging in any act that may be deemed to be of commercial nature. The derivatives transactions would always be deemed commercial in nature.

¹⁸¹⁶ IPAB is a government entity in charge of deposit protection. It is also authorized to provide financial support to Mexican banks in distress.

¹⁹¹⁷ Article 246 of the Banking Law.

The Commercial Insolvency Law provides that only the government owned corporations organized as *sociedades mercantiles* (i.e. a corporation) may be subject to an insolvency proceeding (*concurso mercantil*).

Although the Commercial Insolvency Law provides that trusts that have a commercial nature are subject to its terms, the trusts created by the government for purposes of assisting the government in government matters, like FEGA, FONDO, FEFA and FOPESCA have no commercial purposes and are not subject to such law. None of the Government Entities is organized as a *sociedad mercantil* or a trust with commercial nature and cannot become legally bankrupt or insolvent, nor are they subject to a *concurso mercantil* (insolvency and bankruptcy) procedure. Those entities may be dissolved and liquidated, but they will not be subject to an insolvency or bankruptcy proceeding. There are no other insolvency laws in Mexico other than the Commercial Insolvency Law and the Banking Law.

Notwithstanding the foregoing, certain subsidiaries of Pemex may be organized as corporations under Mexican law and therefore subject to the provisions of the Commercial Insolvency Law.

As the Commercial Insolvency Law would not be applicable to the Government Entities, the insolvency provisions, including those requiring the mandatory close-out and netting of derivatives transactions, upon the declaration of insolvency will not be applicable to the Government Entities. The obligations of the Government Entities, may, however, if agreed in the relevant agreement be subject to set-off provisions (*compensación*) with respect to amounts due and payable or if agreed by the parties, as explained below.

The Banking Law, includes provisions regarding netting of derivatives in the case of insolvency of Mexican commercial banks (*instituciones de banca multiple*) that are not applicable to development banks (*instituciones de banca de desarrollo*) like Bancomext, NAFIN, Banobras, SHF, Bansefi and Banjercito. Therefore, the insolvency provisions of the Banking Law are not applicable to those development banks²⁰¹⁸.

(iv) Netting under the Commercial Insolvency Law:

The Commercial Insolvency Law specifically recognizes the principle of close-out netting for derivatives transactions. The Commercial Insolvency Law, recognizes, in its Articles 102, 103, 104 and 105, with respect to derivative transactions, the principle that upon the declaration of insolvency of a Mexican party other than a Government Entity (regardless of whether any such party is a Mexican individual who is a merchant, a Mexican corporation, a Mexican investment fund, a Mexican insurance company, a Mexican pension fund, a Mexican investment fund or a Mexican broker dealer, in which cases the following analysis would be the same), all outstanding obligations thereof resulting from derivative transactions) will be deemed due and payable (i.e. terminated early) regardless of the specific provisions of the relevant Covered Agreement.

The Commercial Insolvency Law includes a definition of derivative transactions (in Article 104) that is very broad, and that would encompass even the more sophisticated derivatives. Derivative transactions are defined as (i) transactions pursuant to which the parties are obligated to pay moneys or to deliver other assets, or that have assets or other market references as underlying assets, and (ii) any other

²⁰¹⁸ Please also note that the Mexican government is generally liable for the obligations of the development banks, with certain limitations applicable to some of them.

agreements that are recognized by Banco de México as financial derivatives pursuant to general rules, in specific Circular 4/2012²⁴¹⁹ and Circular 6/2013²⁴²⁰.

Therefore, we may conclude that, under the Commercial Insolvency Law, regardless of provisions regarding termination by notice, Covered Transactions under a Covered Agreement, are deemed terminated effective as of the date of the declaration of insolvency (i.e. the date when the Mexican District Judge determines that the relevant Mexican party is insolvent). Such declaration would be issued after certain procedural requirements have been met, including without limitation the filing of a petition by at least two creditors or the debtor, together with evidence of the insolvency situation of the relevant party²⁴²¹.

The question of the enforceability of provisions whereby all the derivatives transactions are terminated by notice, prior to the declaration of insolvency of its Mexican counterparty, is not expressly covered by the Commercial Insolvency Law and may be subject to interpretation.

Article 2188 of the *Código Civil Federal* (the “Civil Code”)²⁴²² mandates netting (*compensación*) to be exercised by a party in a pre-insolvency context (i) if the obligations in question are due and payable (*liquidas y exigibles*) or (ii) if such obligations are not yet due and payable, if the parties have expressly agreed to net. Netting would not be mandatory if the parties have waived such netting rights.

Therefore, if, before the declaration of insolvency, a Termination Event or Event of Default occurs and a termination notice is delivered and, as a consequence the relevant transactions are

²⁴¹⁹ Circular 4/2012 provides that Mexican banks and broker dealers may enter into futures, forwards, options, swaps, credit default derivatives, total return swaps and structured notes in respect of (i) shares, groups of shares and certificates representing shares listed on stock exchange markets, (ii) shares indexes with respect to securities listed on stock exchange markets, (iii) local and foreign currency and UDIS, (iv) inflation price indexes, (v) nominal and real interest rates, including those referring to debt instruments, and indexes referred to such rates, (vi) loans and credits, (vii) gold and silver, (viii) yellow corn (maize), wheat, soybeans, sugar, rice, sorghum (sorgo), cotton, oats, coffee, orange juice, cocoa, barley, milk, canola, soybean oil and soybean pasta, (ix) lean value hog carcasses, bovine livestock and porcine livestock, (x) natural gas, heating oil, gas oil, gasoline and crude oil, (xi) aluminium, copper, nickel, platinum, lead and zinc, and (xii) futures, forwards, options and swaps with respect to the underlying assets referred to above.

²⁴²⁰ Circular 6/2013 issued by Banco de México and the National Commission for the Retirement Fund System (*Comisión Nacional del Sistema de Ahorro para el Retiro*, (“Consar”)) provides that Mexican Pension Funds may enter into futures, forwards, options and swaps over, (i) shares, groups of shares or baskets of shares and share referenced securities, trading in the exchange of a country approved by the Consar, (ii) shares indexes trading in the exchange of a country approved by the Consar, (iii) local and foreign currency and UDIS, (iv) inflation price indexes, (v) nominal and real interest rates or surcharges, in respect to any type of debt security, (vi) gold and silver, (vii) yellow corn (maize), wheat, soybeans, sugar, rice, sorghum (*sorgo*), cotton, oats, coffee, orange juice, cocoa, barley, milk, canola, soybean oil and soybean pasta, (viii) lean value hog carcasses, bovine livestock and porcine livestock, (ix) natural gas, heating oil, gas oil, gasoline and crude oil, (x) aluminium, copper, nickel, platinum, lead and zinc, (xi) price indexes authorized by the Risk Analysis Committee created under the Retirement Fund System Law, conformed by prices of derivative transactions over raw materials, and (xii) any other authorized by the Mexican Central Bank (*Banco de México*).

²⁴²¹ Please note that only the National Banking and Securities Commission or the *Instituto para la Protección al Ahorro Bancario* (Institute for the Banking Savings Protection) may request the insolvency of a Mexican bank.

²⁴²² *Código Civil Federal* published in the Official Gazette on May 26, July 14, August 3 and 31 1928.

terminated (becoming due and payable for purposes of Article 2188 of the Federal Civil Code) and the parties have not waived their netting rights, netting would be mandatory. Additionally, the termination of the transactions in accordance with the termination by notice provisions would be given effect under general freedom of contract theory, prior to the declaration of insolvency if both parties have expressly agreed to such mechanism. However, such early termination may be subject to scrutiny in an Insolvency Proceeding or in a bank judicial liquidation procedure, as described in the second following paragraph, in order to determine if it was entered into as a means to defraud other creditors of the defaulting party.

Termination pursuant to the termination by notice provisions, upon a declaration of insolvency, or the liquidation of a bank upon the revocation of its authorization to organize and operate as such, would be without functional effect as both the Commercial Insolvency Law and the Banking Law, as applicable, mandate that all transactions be terminated (i) upon the declaration of insolvency or (ii) two business days after the date when the revocation of the authorization to organize and operate as a bank is published in the Official Gazette. However, under both the Commercial Insolvency Law and the Banking Law, netting will apply in accordance with the terms and conditions agreed upon by the parties in the relevant Covered Agreement. The Commercial Insolvency Law and the Banking Law provide, respectively, that the valuation date would be the date established in the relevant Covered Agreement. If nothing is provided in such Covered Agreement, the valuation date would be (i) the date of declaration of insolvency, or (ii) in the case of banks, the date of the revocation of the authorization to organize and operate as a bank.

In the case of transactions early terminated prior to the declaration of insolvency, the date for valuing transactions would be the date specified in the relevant agreement and such declaration would not create a different date for the valuation of transactions.

Considerations regarding early termination of transactions during the Retroactivity Period:

Article 105 of the Commercial Insolvency Law makes it clear that the effects of netting transactions upon the declaration of insolvency are deemed to survive, even if the netting of a transaction was carried out during the bankruptcy Retroactivity Period (as defined below) established by Articles 112 *et seq.* of the Commercial Insolvency Law which provide that during a period of at least 270 days (that could be extended up to three years) prior to the declaration of insolvency (the “Retroactivity Period”), all Covered Transactions entered into by the insolvent party will be subject to scrutiny and any such transaction deemed to be made in order to defraud other creditors may be declared null and void by the bankruptcy judge, except in a case where it may be proved that the relevant agreement which contains the netting provisions was entered into or amended during the Retroactivity Period for purposes of giving preference to a particular creditor²⁵²³.

In the event that the bankruptcy court found that the purpose of netting was to defraud creditors, netting would not be permitted, although the Covered Transactions may still be valid, but they would be subject to the general bankruptcy rules. Although there are no precedents in this respect, in our view a

²⁵²³ Please note that although Article 105 of the Commercial Insolvency Law establishes that the standard is “giving preference” to any creditor, in practice there is no difference from the “defraud other creditors” standard established by Articles 112 *et seq.* applicable to scrutinize other transactions. We believe that the typical desire of the parties to an ISDA Master Agreement to achieve the benefits of netting would not be viewed as giving a preference to a creditor.

court would not find a preference if the relevant Covered Master Agreement had been entered into prior to the Retroactivity Period and if each transaction (including Futures and Cleared Swaps) had been done at market prices and conditions. Also, in our view it would be highly likely that a court would not find a preference even if the relevant Covered Master Agreement had been entered into within the Retroactivity Period, provided that each transaction had been done at market prices and conditions.

It is important to note that Article 105 of the Commercial Insolvency Law addresses only those transactions early terminated and netted upon the declaration of insolvency and not such cases in which the relevant agreement was terminated earlier by the termination by notice provisions in situations other than the declaration of insolvency. Therefore, if termination by notice is specified in the agreement and as a result Covered Transactions are terminated prior to the declaration of insolvency and amounts owed thereunder are netted (as mandated by Article 2188 of the Federal Civil Code), such netting would be valid, but under Articles 112 et seq. of the Commercial Insolvency Law upon the declaration of insolvency, if the termination occurred during the Retroactivity Period, the bankruptcy judge would scrutinize such netting and would render it invalid only if it considers that it was done with the purpose of defrauding other creditors. The Commercial Insolvency Law also provides that in order for a transaction to be considered as entered for purposes of defrauding creditors, it is necessary that the counterparty of the bankrupt party should have knowledge of the fraud. In our view, Covered Transactions entered at market conditions (i.e. market prices) and terms would not be considered to be made for purposes of defrauding creditors. We believe that the typical desire of the parties to an ISDA Master Agreement to achieve the benefits of netting and the application of the netting provisions would not be viewed by a Mexican bankruptcy court as defrauding other creditors.

Although Article 105 of the Commercial Insolvency Law recognizes the freedom of contract theory and, as a result, provides that termination by notice and netting may be specified to occur in respect of the Covered Transactions in accordance with the terms of the relevant agreement prior to such declaration of insolvency), both the general principle of Articles 102, 103 and 104, which mandates the early termination of all Covered Transactions upon the declaration of insolvency, as well as the terms of such Article 105, set forth that the Covered Transactions are mandatorily terminated effective as of the date of the declaration of insolvency, irrespective of the terms of the agreement.

As a consequence, in our opinion, Mexican law has no express statement as to whether the Covered Transactions may be early terminated in accordance with the termination by notice provisions of the ISDA Master Agreement, but it clearly states that the Covered Transactions must be early terminated effective as of the date of the declaration of insolvency. However, in our view (based on Article 2188 of the Federal Civil Code and freedom of contract theory), prior to the declaration of insolvency, the Covered Transactions may be earlier terminated upon the occurrence of certain insolvency events, if the termination by notice provisions have been previously agreed, as provided in the 2002 ISDA Master Agreement.

(v) Netting under the Banking Law:

Under Article 176 of the Banking Law, derivative transactions (which include the Covered Transactions), will become due and payable two business days after the date when the revocation of the authorization to organize and operate as a bank is published in the Official Gazette of the Federation and will be netted; notwithstanding the terms of the corresponding agreement or any other statutory provision. Once the statutory two business day term has elapsed, the obligations under the derivative transactions (which include the Covered Transactions) will become due and payable and may be netted. Additionally, any Collateral may be applied to the payment of the outstanding obligations, after netting, as long as the parties agreed to the conveyance of property over the Collateral in favor of the creditor.

In this respect, the conclusions of this memorandum would apply equally if the relevant counterparty is a Mexican or a foreign entity and irrespective if it is a financial institution (including banks), except for certain issues related to collateral that are discussed below.

(vi) Netting Applicable to Government Entities:

As explained above, the Government Entities will not be subject to netting in insolvency, but their obligations may be subject to set-off.

In the case of the liquidation public trusts, the trust assets could be used to satisfy pending obligations if the trust has validly agreed to set-off obligations and such provision would be enforceable under Mexican law.

In conclusion, the Government Entities cannot be subject to an insolvency procedure and may not become legally bankrupt. The rules requiring the early termination and netting of Covered Transactions established in the Commercial Insolvency Law and the Banking Law are not applicable, as the case may be, to the Government Entities. Notwithstanding the foregoing, the obligations of the Government Entities under Covered Transactions negotiated pursuant to a Covered Agreement may be subject to set-off if agreed by the parties in terms of the standard language of a Covered Agreement. A party exercise its right to early terminate a Covered Agreement with a Government Entity, other than bankruptcy (although it could use the filing of a petition for windup or liquidation).

Although Position Liquidation should be recognized, because the Commercial Insolvency Law (including Articles 102, 104 and 105 thereof), and the Banking Law (in Article 176) specify that close out and netting are mandatory pursuant to the agreed upon terms arising, among others, from master agreements, Article 87 of the Commercial Insolvency Law and Article 171 of the Banking Law each provide that, other than in the case of exceptions expressly contemplated under the Commercial Insolvency Law and the Banking Law, as applicable, any contractual provision that would result in more onerous (*agraven*) contractual terms to the debtor than the ones that would have been applicable if there was no insolvency or liquidation, as a result of the filing or presentation of a petition for insolvency or liquidation of a bank, will be deemed null and void. However, in our opinion, there are no reasons to argue that Position Liquidation results in more onerous contractual terms for the insolvent party as they would also be applicable in Events of Default other than insolvency. Therefore, the right of a party to early terminate and net the Transactions as result of any Event of Default, including the filing of a petition would not be considered a violation of article 87 of the Commercial Insolvency Law or article 171 of the Banking Law as the case may be.

Also, both Article 104 of the Commercial Insolvency Law and Article 176 of the Banking Law provide that if there is no express provision in the relevant agreement, the value of the Transactions that have been terminated will be established in accordance with market prices and, according to both these articles, in the event that there is no market price, an expert would be appointed to determine the value of the relevant Transactions.

Even though there is no absolute clarity on the subject, in our opinion, a bankruptcy judge would treat Articles 102, 104 and 105 of the Commercial Insolvency Law as exceptions to the provisions of Article 87 of the Commercial Insolvency Law and, in respect to banks, Article 176 should be considered an exception to Article 171 of the Banking Law and an exception to the terms of Article 87 and, as a result, the Position Liquidation, would be enforceable.

As a consequence of the foregoing, it is our opinion that the Determination of Account features providing for the netting of termination values in determining a single lump-sum termination amount, would be enforceable under Mexican law.

~~3. Would the FCM's holding of the Covered Contracts as an "agent-trustee" be recognized by a court in Mexico as creating a valid trust over the Covered Contracts or would the court otherwise recognize the FCM's legal title to, and the Covered Customer's beneficial interest in, the Covered Contracts?~~

~~In~~ Please note that ~~in~~ the understanding that the "agent-trust" is created pursuant to the laws of the State of New York, Mexico would recognize the creation of a valid trust over the relevant Covered Contracts whereby the FCM holds the legal title to the relevant Covered Contracts and the customer holds a beneficial interest in the trust as a whole, as long as such "agent-trust" complies with the creation and perfection requirements of New York law.

The body of law which contains the basic conflict of laws principles is the Civil Code. The general principle under Mexican law is that parties may elect non-Mexican law as the governing law of their relationships; however, a choice of foreign law may not be valid if it is selected to avoid the application of Mexican principles of public policy or if it is selected for fraudulent purposes.

Another general principle of Mexican conflicts of laws is that Mexican law will recognize legal relationships (including the creation of a trust) validly created either in the states which comprise Mexico or in any foreign jurisdiction in accordance with the respective laws thereof.

~~(a) If so, would the court characterize Position Liquidation as the FCM's exercising its contractual rights as principal vis-à-vis the DCO under the relevant DCO rules (or vis-à-vis the Foreign Futures Broker under the clearing agreement between the FCM and Foreign Futures Broker) and not as the FCM's acting as the Covered Customer's agent or as the FCM's enforcing its security interest in the Covered Contracts?~~

~~Yes, as the FCM acts as principal in the exercise of its contractual rights under the Customer Agreement (and in accordance with the terms of the applicable DCO rules or clearing agreement with the Foreign Futures Broker), and not as agent of the Covered Customer or pursuant to any power of attorney granted by the Covered Customer. We understand that this process is also not a foreclosure, and the FCM need not rely on its security interest in the Customer's Contracts to effect their close out or liquidation.~~

~~(b) Could the FCM's holding of the Covered Customer's Contracts be characterized as some alternative arrangement, such as a commission agency or as a collateral security arrangement? If so, how would the FCM's Position Liquidation be characterized under the laws of Mexico?~~

In our opinion, there is no risk that either the "agent-trust" would be recharacterized under Mexico's jurisdiction. In this regard, the exercise by the FCM of its Position Liquidation would not be characterized as some alternative under the laws of Mexico either.

~~4. Would a court in Mexico recognize the statutory trust with respect to the Segregated Funds or Separate Account Funds of each Account Class as creating a valid trust over such Segregated Funds or Separate Account Funds, and that under the terms of that trust, the FCM holds the legal title to, and the Covered Customer holds a beneficial interest in, the statutory trust as a whole (as opposed to maintaining an interest in any specific assets under the trust)? Could the statutory trust with respect to the Segregated Funds or Separate Account Funds of any Account Class be characterized as some alternative arrangement (e.g., as a collateral security arrangement)?~~

~~On the understanding that the statutory trust was created pursuant to the laws of the U.S., Mexico would recognise the creation of a valid trust over the Segregated Funds or Separate Account Funds and~~

~~conclude that the FCM holds the legal title to, and the Covered Customer holds a beneficial interest in, the statutory trust as a whole, as long as such statutory trust complies with the creation and perfection requirements of U.S. law.~~

~~For more information regarding the body of law which contains the basic conflict of law principles under Mexican law, please refer to question I.B.3 above.~~

~~(a) 3. Would the Margin Liquidation provisions of each of the Base Account Agreement and CDA be enforceable under the laws of Mexico and the FCM's Margin Liquidation in respect of each Account Class be recognized and upheld by a court in Mexico? Could such Are there any circumstances in Mexico, including any moratorium, stay, freeze or other consequence of the commencement of an insolvency proceeding, you can foresee that might affect the FCM's ability to exercise Margin Liquidation be capable of exercise based on the FCM's exercise of its right under the applicable Customer Property Rules to withdraw and apply Segregated Funds or Separate Account Funds, as the case may be, for Permitted Uses (the FCM's "Permitted Uses Rights") rather than by the enforcement of its security interest in the Covered Customer's Collateral consisting of securities??~~

Yes, the Margin Liquidation provisions of each of the Base Account Agreement and CDA would be enforceable under the laws of Mexico and the FCM's Margin Liquidation in respect of each Account Class would be recognized and upheld by a court in Mexico.

Such Margin Liquidation would be capable of exercise based on the FCM's exercise of its right under the applicable Customer Property Rules to withdraw and apply Segregated Funds or Separate Account Funds, as the case may be, for Permitted Uses rather than by the enforcement of its security interest in the ~~Covered~~ Customer's Collateral consisting of securities.

As mentioned in question 4, In a pre-insolvency scenario, there would be no stay, freeze or delay that might affect the FCM's ability to exercise Margin Liquidation. In an insolvency scenario please see our answers to Part I, Question 4 below.

~~(b) 4. Would the Determination of Account provisions of each of the Based Account Agreement and CDA be enforceable under the laws of Mexico and the FCM's Determination of Account in respect of (i) each Account Class and (ii) all Account Classes on a combined basis be recognized and upheld by a court in Mexico and if so, how could each Determination of Account be characterized (e.g., contractual accounting, netting or set-off, enforcement of the security interest in cash Collateral or some combination of the foregoing)?~~

Yes, the Determination of Account provisions of each of the Based Account Agreement and CDA would be enforceable under the laws of Mexico and the FCM's Determination of Account in respect of (i) each Account Class and (ii) all Account Classes on a combined basis would be recognized and upheld by a court in Mexico.

Each Determination of Account would be characterized as contractual accounting.

5. *Are there any other circumstances in Mexico, including any moratorium, stay, freeze or other consequence of the commencement of an insolvency proceeding, you can foresee that might affect the FCM's ability to exercise Position Liquidation, Margin Liquidation or a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes)?*

As mentioned above, in a pre-insolvency scenario, there would be no stay, freeze or delay that might affect the FCM's ability to exercise Position Liquidation, Margin Liquidation or a Determination

of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes).

In an insolvency scenario, Article 105 of the Commercial Insolvency Law specifies that netting is mandatory (i.e. not optional) for financial derivative transactions²⁶²⁴ and not subject to any stay or delay, pursuant to terms agreed upon in the relevant contract, on the date of the declaration of insolvency, in respect of liabilities and rights arising from master or specific agreements entered into in connection with financial derivative transactions. Article 105 mandates the netting of obligations arising under the master agreement both against each other and against obligations arising from other agreements besides the master agreement. The Commercial Insolvency Law mandates that the relevant calculation of the early termination payment should be made in accordance with the terms agreed by the parties in the relevant master agreement, which would include, calculations made by the calculation agent. Only in those cases in which the relevant agreement does not provide for the netting mechanics and there are no available market prices, the court would appoint an independent expert to effect the relevant calculations. In the case of Mexican banks, derivative transactions are mandatorily early terminated and netted 2 (two) business days after the date of publication of the revocation of the banking license (which implies the liquidation of the bank).

Enforcement in Insolvency under the Commercial Insolvency Law:

The Commercial Insolvency Law provides for a single procedure with two stages. In the first stage, the “conciliatory stage”, which begins on the date of declaration of insolvency and lasts up to a year, the parties must try to reach a reorganization agreement. If no agreement is reached, a second stage, the “bankruptcy stage” will be initiated with the purpose of using the assets of the bankrupt party to repay creditors. Once a Mexican judge has declared a debtor bankrupt, individual assets or the enterprise as a whole are marked for the sale and notices are sent out to potential bidders, after the sale of assets takes place, ranking and payment to recognized creditors (based upon priorities specified under Mexican law), subject to the preference of labor and thereafter, secured creditors and taxing authorities, will begin as soon as practicable. In general, any lawsuit filed prior to the declaration of insolvency, (except for tax claims) will not be stayed and will continue in the court where originally filed, although execution of attachments, such as ~~Covered~~ Collateral, will be stayed, unless the judge considers that the ~~Covered~~ Collateral is not fundamental for the operation of the insolvent party in which case it may approve its enforcement. Please note that the abovementioned stay does not apply to the netting of derivatives, as explained below, however, it does apply to collateral when there is no transfer of ownership. If the Position Liquidation, Margin Liquidation or a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) is not considered as execution of collateral, then there will be no stay. If it is, then the above-mentioned stay or freeze will remain in effect during the term of the reorganization stage of the insolvency proceeding, which should not exceed one year. If no agreement was reached within that year, the bankruptcy stage will begin. Once the bankruptcy stage initiates, the FCM may enforce its Position Liquidation, Margin Liquidation or a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes). In this regard, during the conciliatory stage, an FCM may not request authorization to enforce the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three

²⁶²⁴ The Commercial Insolvency Law includes a definition of derivative transactions (in Article 104) that is very broad, and that would encompass even the more sophisticated derivatives. Derivative transactions are defined as (i) transactions pursuant to which the parties are obligated to pay moneys or to deliver other assets, or that have assets or other market references as underlying assets, and (ii) any other agreements that are recognized by Banco de México as financial derivatives pursuant to general rules, in specific Circular 4/2012 and Circular 6/2013. All Covered Agreements would qualify.

Account Classes) or the ~~Covered~~-Collateral and there is a stay on any enforcement procedures, except for the cases of any of the two exceptions (regarding (i) *prenda bursátil* and cash pledges, and (ii) by judicial decision) as mentioned in the following paragraph. The stay will start automatically upon the declaration of insolvency, although the judge may order the stay to start at any time after the filing of the petition and prior to the declaration of insolvency date. The stay would be equally applicable to all types of Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral whether taken by transfer of title, by charge or by pledge. Once the ~~Covered~~-Customer is on the bankruptcy stage, the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral may be executed, although the bankruptcy trustee and the judge may oppose to such execution if they consider that it is better for the creditors to sell all the assets of the bankrupt party together. For clarity purposes, such stay would only apply to Position Liquidation, Margin Liquidation and Determination of Account when they constitute an enforcement over ~~Covered~~-Collateral.

As mentioned above, there are two exceptions to the stay. In the case of *Prenda Bursátil* Agreements and cash pledges where the ownership of the assets has been transferred to the secured parties and the parties have agreed for the netting of the pledged assets against unpaid obligations, the parties may net such amounts even after the declaration of insolvency. Also in the cases when the judge considers that the pledged assets are not fundamental for the operation of the insolvent party the ~~Covered~~-Collateral may be foreclosed as discussed below. These exceptions are without prejudice to the legal treatment for netting and trust rights described herein.

Except for the exceptions set forth above, in order for a FCM to exercise its enforcement rights with regards to ~~Covered~~-Collateral under a bankruptcy scenario it will be required for the judge to recognize the claim of the FCM and order the sale of the assets of the bankrupt ~~Covered~~-Customer. Such enforcement may only take place once the conciliatory stage of the bankruptcy process is finished, which could take up to a year.

According with the Commercial Insolvency Law, on the date of declaration of insolvency, all foreign currency denominated debts must be converted into Pesos and then into *Unidades de Inversión* (inflation indexed units or “UDIS”)²⁷²⁵. In such form, the amounts would be converted into Pesos but it will increase in accordance with inflation. Peso denominated debts must be converted into UDIS. The exchange risk would not be reduced, but at least the amounts would be increased with inflation. If the value of the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral is less than the value of the secured obligation, the FCM may request to effect its own valuation of the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral and will be considered a FCM with respect to an amount equal to the value of the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral, as it may correspond. The remaining portion will be treated as unsecured loans. Both amounts should be converted into UDIS on the date of the declaration of insolvency. In such case the FCM must waive its rights to the difference between the value obtained upon enforcement and the value attributed to the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~-Collateral.

²⁷²⁵ The value of UDIS as of August 15, 2022 is Ps\$7.452286, approximately equivalent to US\$0.37498 dollars.

(ii) Enforcement in Insolvency under the Banking Law:

The Commercial Insolvency Law is not applicable to banks. In this sense, the Banking Law creates a special judicial liquidation procedure for insolvent banks. This procedure will take place in the event that the CNBV revokes the authorization of a bank to organize and operate as a banking institution if such bank has no positive capital, meaning that its assets are insufficient to cover its debts.

The IPAB is the only party with authority to request a Federal judge for the commencement of the judicial liquidation procedure against a bank in liquidation, and will act as judicial liquidator of the corresponding bank. The IPAB will be empowered to carry out all acts towards the liquidation of the bank, including collecting all of the bank's account receivables, selling of the bank's assets, paying or conveying the bank's debts and liquidating the bank's shareholders if possible.

The liquidation procedure for banks under the Banking Law, unlike the Commercial Insolvency Law, does not foresee a conciliation stage prior to liquidation, where the bank could come to an agreement with its creditors to avoid liquidation.

Under the Banking Law, upon the commencement of a bank judicial liquidation procedure, any lawsuit filed prior to the declaration of insolvency, will not be stayed and will continue in the court where originally filed. The foreclosure rights of a creditor would be subject to a stay or freeze, except when the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral is secured by a guarantee over property (real guarantee or *garantía real*) (for clarity purposes, such stay would only apply to Position Liquidation, Margin Liquidation and Determination of Account when they constitute an enforcement over ~~Covered~~ Collateral); however, the IPAB as liquidator of the bank, may oppose to the execution of the guarantee when it deems that such opposition is in the best interest of the bank in liquidation.

Moreover, according with the Banking Law, as of the date when the corresponding bank goes into liquidation, all foreign currency denominated debts must be converted into Pesos.

Furthermore, under the Banking Law, derivatives transactions (which include the Covered Transactions), will become due and payable and netted two days after the date when the revocation of the authorization to organize and operate as a banking institution is published in the Official Gazette; notwithstanding the terms of the corresponding agreement or any other statutory provision. Once the statutory two business day term has elapsed, the obligations under the derivative transactions (which include the Covered Transactions) will become due and payable and may be netted. Additionally, any Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral may be applied to the payment of the outstanding obligations, after netting, as long as the parties agreed to the conveyance of property over the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral in favor of the creditor. The foreclosure rights of a creditor of the relevant bank, of ~~Covered~~ Collateral located in Mexico, would be subject to a stay or freeze, except when the ~~Covered~~ Collateral is secured by a guarantee over property (real guarantee or *garantía real*); however, the IPAB as liquidator of the bank, may oppose to the execution of the guarantee when it deems that such opposition is in the best interest of the bank in liquidation.

(i) Enforcement of Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral created under Non-Mexican Law:

In the event the filing of a petition of insolvency procedure of the ~~Covered~~ Customer (including a bank), constitutes an event of default which may trigger the foreclosure of the security interest and such security interest is created under non-Mexican law regarding assets located abroad, then we would recommend to have the foreclosure completed outside Mexico before the judge declares the insolvency in Mexico (or orders as a precautionary order to suspend all enforcement). Once the judge orders the suspension of enforcement procedures (which order may be issued as early as a few days after the filing of the petition) no Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral located in Mexico may be enforced. In the absence of such suspension order, Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral held in Mexico under a Prenda Bursátil Agreement or a pledge of cash or fungible securities may still be enforced until the declaration of insolvency is entered without a stay or delay.

The law governing the creation and perfection of security interests is the law of the jurisdiction where the assets are located. If a security document is executed outside of Mexico, the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral is held outside of Mexico, the relevant documentation allows for the foreclosure of the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral and such actions are permitted under the non-Mexican law governing the transaction, then the FCM could consider exercising those rights immediately. A swift termination of the transaction may be the best course of action by the non-defaulting party. Although there is no express provision under Mexican law which would prohibit such course of action, there may be a risk of the receiver challenging such enforcement. If the disposition of the securities and the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral is contractually permitted and legal in the jurisdiction where such security interest was created and perfected, and if it is carried out in a commercially reasonable manner and the balance after payment of amounts owed under the agreement is remitted back to the receiver, it is unlikely that the receiver would have sufficient economic or legal interest to challenge such actions. The risk of challenge would be the same for a charge or a pledge.

In practice, therefore, it is unlikely that any Mexican court or Mexican bankruptcy judge would be able to freeze any assets located abroad before the foreclosure procedure has been concluded and the Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral has been disposed of. Technically, however, there is no provision under Mexican law which would prohibit the Mexican judge, at the request of the receiver, from requesting a foreign court not to permit the exercise of the rights of the FCM in order to have the assets become a part of the insolvent ~~Covered~~ Customer's estate. There are no specific penalties contemplated by the Commercial Insolvency Law or the Banking Law in this respect, if the FCM does not comply with such a request. However, in the event that an acceleration and subsequent disposition of Position Liquidation, Margin Liquidation, a Determination of Account in respect of an Account Class or the overall Customer Account (comprising the three Account Classes) or ~~Covered~~ Collateral were challenged, and the receiver prevails and is able to establish jurisdiction over the FCM, it may require such party to compensate the estate of the bankrupt party or the

bank in liquidation, for any damages and losses suffered as a result of the actions of the FCM. The risk of challenge would exist even if no injunction is obtained from the foreign court.

~~6. Under the laws of Mexico, are any rights or processes available to a creditor of a Covered Customer by which such creditor could make a claim against the Segregated Funds or Separate Account Funds held subject to the statutory trust (or otherwise in accordance with the Customer Property Rules) in respect of each Account Class or against the Covered Contracts (and any rights in respect thereof) held by the FCM as agent trustee for the benefit of the Covered Customer and the FCM's other customers in such Account Class as opposed to only having recourse to the final cash balance or single net termination amount that constitutes the Determination of Account for such Account Class or the overall Customer Account (comprising the three Account Classes)?~~

~~Yes. In Mexico, there are rights and processes available to creditors of Covered Customers by which such creditor could make a claim against the Segregated Funds or Separate Account Funds held subject to the statutory trust (or otherwise in accordance with the Customer Property Rules) as long as those assets belong to the estate of such customer. If the Covered Customer's assets were being held (i) in a statutory trust, money, securities and other property received from the customer by way of margin for, and all funds accruing to the customer as the result of, the customer's Contracts must be treated as "belonging to such Customer" on a pro rata basis, up to the amount of assets belonging to the Covered Customer in a statutory trust, which means the rights and processes would be available, whereas (ii) when the assets are held on the "agent trust" outside of Mexico, we understand from the Summary Annex, that the FCM would hold legal title to (ie. it is the legal owner of) the Contracts credited to the omnibus customer positions account maintained with the relevant DCO or Foreign Futures Broker, which means that according to Mexican law, once the assets are transferred to a trust created pursuant to Mexican law or created outside of Mexico but which is enforceable in Mexico, no claim can be enforced against such assets, and the creditor would only have recourse to the single net amount that constitutes the Determination of Account.~~

~~76. Assuming the parties have entered into the Covered Agreement, the Covered Event of Default has occurred with respect to the Customer is insolvent and the FCM has determined a lump-sum cash balance or net termination amount in a currency other than the currency of the jurisdiction in which the insolvent customer is organized:~~

~~(a) Would Outside the context of insolvency proceedings, would a court in Mexico enforce a claim for the cash balance or net termination amount in the currency in which it was determined?~~

~~According to the Commercial Insolvency Law and the Banking Law, once a lump-sum cash balance or net termination amount has been obtained, all amounts would be converted into Pesos and then into UDIS. Moreover, in the event that proceedings are brought in Mexico, seeking performance of the obligations of one of the parties, pursuant to the *Ley Monetaria de los Estados Unidos Mexicanos* (the "Mexican Monetary Law"), such party, may discharge its obligations by paying any sums due in a currency other than Mexican currency, in Mexican currency at the rate of exchange prevailing in Mexico on the date when payment is made.~~

~~(b) Can a claim for the cash balance or net termination amount be proved (i.e., filed) in insolvency proceedings in Mexico without conversion into the local currency?~~

~~If in either case the claim must be converted to local currency for purposes of enforcement or proof in insolvency proceedings, please set out the rules governing the timing and exchange rate for such conversion.~~

Once a lump-sum has been obtained, all amounts need to be converted into Pesos and then into UDIS. Amounts due by an insolvent debtor, once converted into Mexican currency, will be converted, on the date of the declaration of insolvency, to their equivalent in UDIS, as published by Banco de México. The amounts payable to the insolvent debtor remain in the terms originally agreed.

87. *Are there any other local law considerations that you would recommend the FCM to consider in connection with the exercise of Position Liquidation, Margin Liquidation or a Determination of Account?*

No, given the FCM exercises by reliance on its contractual and trust entitlement under the Covered Agreement.

However, Mexican courts would recognize and enforce a final judgement of a foreign court of competent jurisdiction in respect of the Position Liquidation, Margin Liquidation or Determination of Account of a customer located outside Mexico, pursuant to Articles 569 and 571 of the *Código Federal de Procedimientos Civiles* (the “Mexican Federal Code of Civil Procedures”) and Article 1347A of the Commerce Code, which provide, inter alia, that any judgement rendered outside Mexico may be enforced by Mexican courts, provided that:

- (a) such judgement is obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgement and in compliance with all legal requirements of the relevant agreement;
- (b) such judgement is strictly for the payment of a certain sum of money based on an in personam (as opposed to an in rem) action;
- (c) service of process was made personally on the relevant customer or on the process agent designated in the relevant agreement;
- (d) such judgement does not contravene Mexican public policy, Mexican law, international treaties or agreements binding upon Mexico or generally accepted principles of international law;
- (e) the applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgements (including the issuance of a letter rogatory by the competent authority of such jurisdiction requesting enforcement of such judgement and the certification of such judgement as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof) is complied with;
- (f) such judgement is final in the jurisdiction where it was obtained;
- (g) the action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties, pending before a Mexican court; and
- (h) the courts of the relevant jurisdiction recognize the principles of reciprocity in connection with the enforcement of Mexican judgements therein.

The foregoing opinion is subject to the following qualifications:

- (a) in any proceedings brought to the courts of Mexico for the enforcement of the Position Liquidation, Margin Liquidation or Determination of Account, a Mexican court would apply Mexican procedural law in such proceedings;

(b) in the event that proceedings are brought in Mexico, seeking performance of the obligations of one of the parties, pursuant to the Mexican Monetary Law, such party, may discharge its obligations by paying any sums due in a currency other than Mexican currency, in Mexican currency at the rate of exchange prevailing in Mexico on the date when payment is made;

(c) provisions of the Customer Agreements and the Covered Transactions granting discretionary authority to any party thereof cannot be exercised in a manner inconsistent with relevant facts nor defeat any requirements from a competent authority to produce satisfactory evidence as to the basis of any determination; in addition, under Mexican law, the parties will have the right to contest in court any determination, notice or certificate of any party purporting to be conclusive and binding;

(d) in the event that any legal proceedings are brought to the courts of Mexico, a Spanish translation of the documents required in such proceedings prepared by a court-approved translator would have to be approved by the court after the defendant had been given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter be based upon the translated documents; and

(e) in any bankruptcy proceedings initiated in Mexico pursuant to the laws of Mexico, labor claims, claims of tax authorities for unpaid taxes, social security quotas, workers' housing fund quotas and retirement fund quotas may have priority over claims of the parties with respect of collateral, as explained above.

PART II. ~~Creation, Perfection and Enforcement of FCM's Security Interest in Covered Collateral~~ VALIDITY, PERFECTION AND ENFORCEMENT OF FCM'S SECURITY INTEREST IN CUSTOMER'S RIGHTS AND INTERESTS IN RESPECT OF COLLATERAL

A. ~~Fact Patterns Regarding Location of the Covered Customer and Covered Collateral~~

We set out below three principal fact patterns we have considered in answering the questions below.

The three principal fact patterns concern (a) whether or not the Location (as defined below) of the ~~Covered~~ Customer is in Mexico and (b) whether or not the Location of the ~~Covered~~ Collateral (as defined below) is in Mexico.

In particular, when responding to each question, we have distinguished between the following three fact patterns:

I. The Location of the ~~Covered~~ Customer is in Mexico and the Location of the ~~Covered~~ Collateral is outside Mexico.

II. The Location of the ~~Covered~~ Customer is in Mexico and the Location of the ~~Covered~~ Collateral is in Mexico.

III. The Location of the ~~Covered~~ Customer is outside Mexico and the Location of the ~~Covered~~ Collateral is in Mexico.

For the foregoing purposes:

(a) the “Location” of the ~~Covered~~ Customer is in Mexico if it resides, is incorporated or otherwise organized in Mexico and/or if it has a branch or other place of business in Mexico; and

(b) the “Location” of ~~Covered~~ Collateral is the place where an asset of that type is located under the private international law rules of Mexico.

“Located” when used below in relation to a ~~Covered~~ Customer or any ~~Covered~~ Collateral should be construed accordingly.

In considering fact patterns I and II, we indicate whether and, if so, in which circumstances it makes a difference whether the ~~Covered~~ Customer (i) is incorporated or otherwise organized in Mexico or (ii) is a foreign entity with a branch or other place of business in Mexico.

B. Additional Assumptions

~~(a) “Covered Collateral” means the Covered Customer’s Collateral consisting of (1) the Customer Account, (2) the Covered Customer’s Covered Contracts, (3) cash credited to an account (as opposed to physical notes and coins) and (4) the types of securities that are identified below and that are Located or deemed Located either (i) in Mexico or (ii) outside Mexico.²⁸~~

(1) Under the terms of the Covered Agreement, the Customer grants to the FCM a first-priority security interest in, lien on and right of set-off against, all the rights and interests of the Customer in respect of the following types of property, whether at the time of the grant or thereafter existing (“Collateral”): (1) the Customer Account (i.e., the account in the name of the Customer that is maintained by the FCM on its books and records), (2) the Covered Contracts carried in or credited to the Customer Account, (3) cash credited to or held in the Customer Account and (4) the types of securities identified below that are credited to the Customer Account and that are Located or deemed Located either (i) in Mexico or (ii) outside of Mexico.

~~(b) Please assume that Covered (2).~~ Collateral in the form of cash is denominated in a freely convertible currency and is credited to an account (as opposed to physical notes and coins) under the “control” of the FCM for purposes of the New York Uniform Commercial Code (the “UCC”), as described in paragraph ~~1.40~~1.41 of the Summary Annex. We have further assume that, in terms of Section X of the S&C Memo and paragraphs 1.14, 1.16, 1.18, 1.19, 1.20 and 1.28, when the Customer delivers cash margin to the FCM, the FCM credits the cash to the Customer Account (which is not a deposit account, but rather a securities account, commodity account or hybrid securities/commodity account on the books and records of the FCM) and deposits the cash in one or more deposit accounts maintained in the name of the FCM with the FCM’s settlement banks (which are banks or trust companies that satisfy CFTC requirements). Such deposit accounts are segregated omnibus accounts in which the cash delivered by the Customer is commingled with cash margin delivered to the FCM by its other customers in the same account class (as well as the

~~²⁸ Please see footnote 36 of the Summary Annex and Section X of the S&C Memo for a description of the Covered Customer’s rights and property interests represented by (1) its Customer Account (which you may assume constitutes in the case of its Futures Account, a “commodity account,” as defined in Article 9 of the UCC) and, in the case of its Cleared Swaps Account, a “securities account” (as defined in Article 8 of the UCC), and (2) its Covered Contracts, which you may assume constitute, in the case of its Futures, “commodity contracts” (as defined in Article 9 of the UCC) and, in the case of its Cleared Swaps, “security entitlements” to “financial assets” (as defined in Article 8 of the UCC). As indicated in footnote 36, it is likely that a security interest in the Customer Account represents a security interest in all property credited to the Account, including the Covered Customer’s pro rata beneficial interest in Customer Funds maintained pursuant to the applicable Customer Property Rules.~~

FCM's own funds representing its residual interest, which is a buffer intended to ensure the FCM has segregated or set aside sufficient funds to cover the positive net liquidating equities of accounts of customers in the same account class). Such deposit accounts are titled under account names that clearly identify the cash therein as belonging to the FCM's customers in **the applicable** account class. The FCM's settlement banks maintaining such deposit accounts are permitted to comply with the FCM's withdrawal instructions without further inquiry as to their compliance **with the Customer Property Rules** (so long as the depositories does not have notice of or actual knowledge of a potential violation by the FCM), and the FCM's customers have no right to access the accounts.

Under the Customer Property Rules, the FCM is expressly permitted to use funds held in such deposit accounts to, among other things, margin or secure the obligations of the FCM to DCOs or Foreign Futures Broker in respect of Covered Contracts of the Customer and/or other customers in the applicable Account Class that are cleared through the DCOs or Foreign Futures Brokers. When cash is withdrawn from such deposit accounts and transferred to DCOs or Foreign Futures Brokers, the transferred cash is credited to omnibus customer margin accounts maintained by the DCOs or Foreign Futures Brokers on their books and records. Such accounts may not be accessed by customers of the FCM.

Additionally, as explained in paragraphs 1.16 and 1.20 of the Summary Annex, under the Customer Property Rules related to permitted investments of customer funds (the "Permitted Investment Rules"), the FCM may invest (including by means of reverse repurchase transactions) **Customer Funds consisting of** cash in certain types of permitted investment specified by the CFTC. The FCM may retain as its own profits resulting from such permitted investments, but it is required to segregate them and it must bear (and not allocate to customers) any losses with respect to them.²⁶

~~(e3) Our expectation is that the FCM will normally hold debt securities in the form of intermediated debt securities rather than directly in one of the three forms mentioned in (i), (ii) and (iii) below. In this case, and as described in Section 1.41 of the Summary Annex, the FCM, acting as the Covered Customer's "securities intermediary," will credit "security entitlements" to those securities to the Account, which will constitute a "securities account" (as each of those terms is defined under Article 8 of the UCC). However, for purposes of the analysis, please assume that the following types of securities considered to be Covered Collateral Provided by the Customer as Collateral are held in one of the following forms, are denominated in either the currency of Mexico or any freely convertible currency and consist of (i) corporate debt securities whether or not the issuer is organized or located in Mexico; (ii) debt securities issued by the government of Mexico; and or outside of Mexico; (iii) debt securities issued by the government of a member of the "G-10" group of countries, in one of the following forms: multilateral development banks and international organizations; and (iv) equity securities whether or not the issuer is organized or located in Mexico;~~

²⁶ As explained in paragraphs 1.28 and 1.30 of the Summary Annex, neither transfers of customer cash to DCOs and Foreign Futures Brokers nor investment of customer cash in permitted investments pursuant to the Permitted Investment Rules results in adjustments to the cash balance of the Customer Account. The Customer Account's cash balance is adjusted when (i) trading gains or losses are realized in respect of its Covered Contracts when they are closed or settled, (ii) cash is delivered by the Customer to the FCM or is withdrawn by the Customer from the Customer Account, (iii) the Customer's securities margin is liquidated (other than in connection with making permitted investments) and (iv) any other amounts due to the FCM (e.g., commissions and fees) or due to the Customer (e.g., interest) under the Covered Agreement are debited from or credited to the Account.

(i) directly held bearer ~~debt~~-securities: by this we mean ~~debt~~-securities issued in certificated form, in bearer form (meaning that ownership is transferable by delivery of possession of the certificate) and, when held by the FCM as Collateral under the Covered Agreement, held directly in this form by the FCM (that is, not held by the FCM indirectly through an ~~Intermediary~~intermediary (as defined below));

(ii) directly held registered ~~debt~~-securities: by this we mean ~~debt~~-securities issued in registered form and, when held by the FCM as Collateral under the Covered Agreement, held directly in this form by the FCM so that the FCM is shown as the relevant holder in the register for such securities (that is, not held by the FCM indirectly with an ~~Intermediary~~intermediary);

(iii) directly held dematerialized ~~debt~~-securities: by this we mean ~~debt~~-securities issued in dematerialized form and, when held by the FCM as Collateral under the Covered Agreement, held directly in this form by the FCM so that the FCM is shown as the relevant holder in the electronic register for such securities (that is, not held by the FCM indirectly with an ~~Intermediary~~intermediary); or

(iv) intermediated ~~debt~~-securities: by this we mean a form of interest in ~~debt~~-securities recorded in fungible book-entry form in an account maintained by a ~~financial~~securities intermediary or custodian (which could be a central securities depository (“CSD”) or a custodian, nominee or other form of ~~financial~~securities intermediary or custodian, in each case an “~~Intermediary~~intermediary”) in the name of the FCM where such interest has been credited to the account of the FCM in connection with a deposit of Collateral by the ~~Covered~~-Customer with the FCM under the Covered Agreement.

~~(d) In the case of questions 10 to 12 and 16 in Part C below, if relevant, please also assume that after the Covered Customer commences clearing under the Covered Agreement and while it has open positions in Covered Contracts, an Event of Default occurs with respect to the Covered Customer, and/or, if applicable, the FCM has designated a date to begin closing out or otherwise liquidating the Covered Contracts as a result thereof (however, an insolvency proceeding has not been instituted, which is addressed separately in assumption (e) and questions 13 to 15 below). In this regard, we are further assuming that in this case, and as explained in footnote 46 of the Summary Annex, when the Customer delivers margin to the FCM in the form of intermediated securities, the Customer will cause its intermediary to transfer the securities to the FCM’s intermediary, which will credit them to the securities account maintained by the intermediary for the FCM, and the FCM will credit the securities to the Customer Account. As the FCM and Customer typically agree in the Covered Agreement to treat the Customer Account as a “securities account” maintained for the Customer by the FCM as the Customer’s “securities intermediary,” the Customer will obtain “security entitlement(s)” to the securities when they are credited to the Customer Account (as each such term is defined under Article 8 of the UCC). The security interest granted by the Customer to the FCM is in such security entitlement(s).~~

~~(e) In the case of questions 13 to 15 in Part C below, if relevant, please assume that the Covered Customer has become subject to insolvency proceedings in Mexico. Further, as explained in paragraph 1.36 and footnote 46 of the Summary Annex, under the Customer Property Rules, the FCM has significant flexibility to repledge, rehypothecate or otherwise dispose of customers’ securities margin, subject in all cases to compliance with the segregation and other requirements of the Customer Property Rules. For example, with the Customer’s agreement, the FCM may repledge securities margin delivered by the Customer to a~~

DCO to secure the FCM's obligations to the DCO in respect of contracts cleared through the DCO for the Customer and/or for other customers of the FCM in the same Account Class (for example, securities deposited with the FCM by the Customer may repledge such securities to DCOs that do not clear the Customer's Covered Contracts, so long as the contracts at the DCO secured by the securities are in the same Account Class as the Customer's Covered Contracts). Also, under the Permitted Investment Rules, with the Customer's agreement, the FCM may rehypothecate (including by means of securities repurchase agreements) the Customer's securities margin for cash and may retain for itself the profits resulting from such permitted investments (but the FCM must segregate the rehypothecation proceeds and must bear (and not allocate to any customers) any losses in respect thereof). Additionally, under the Customer Property Rules, if the FCM wishes to offset any net deficit in the Customer's Futures Account against the current market value of securities credited to the Account in its daily segregation computations, the FCM must have written authorization from the Customer to liquidate the securities in the FCM's discretion. You should assume that the Covered Agreement grants the FCM broad rights to repledge and rehypothecate the Customer's securities Collateral, subject to "applicable law" (which includes the Customer Property Rules), and to liquidate the securities in its discretion.²⁷

~~(4)~~ (4) Please note the following point regarding substitution of ~~Covered~~ Collateral consisting of cash or securities. We understand that Base Account Agreements typically provide that, following closure of an open position by a customer, a FCM is under no obligation to return the same assets (e.g., a security with the same ISIN/CUSIP number) posted by the customer, but the FCM may agree to provide equivalent assets, if practicable. For example, if the customer posted 5-year treasuries, the FCM would endeavor to return 5-year treasuries if practicable, but not necessarily the same ISIN/CUSIP. In some cases, the FCM might agree to a more stringent obligation to return equivalent assets, if practicable. However, it is not market practice for a Base Account Agreement to provide for an unqualified obligation on a FCM to return the same asset (contrast this position with paragraph 4(d) of either the 1994 ISDA Credit Support Annex (Bilateral Form) or the 1995 ISDA Credit Support Deed (Bilateral Form – Security Interest)).

We also understand that, as a matter of market practice, FCMs often offer their customers the ability to manage the collateral posted by the customer, for example by allowing the customer to post 10-year treasuries and returning 5-year treasuries to the customer. However, this is purely a matter of market practice, not a right of the customer explicitly provided in the agreement.

As Base Account Agreements typically do not include a right to substitute collateral, this letter does not include a question regarding the effect of substitution rights on the validity, continuity, perfection or priority of the security interest. However, please let us know if you think the market practice described above raises any questions that should be addressed in the opinion.

~~Please see the discussion of the FCM's rights with respect to investment of Covered Collateral consisting of cash in paragraphs 1.16 and 1.20, and the FCM's rights to repledge, rehypothecate or dispose of Covered Collateral consisting of securities in footnote 38 of the Summary Annex. You may assume the Base Account Agreement contains a written authorization to liquidate securities Covered Collateral at the FCM's discretion, as described in footnote 38.~~

²⁷ As explained in footnote 46 of the Summary Annex, the FCM does not debit securities from the Customer Account when they are repledged to a DCO or Foreign Futures Broker or rehypothecated pursuant to the Permitted Investment Rules. The FCM debits securities from the Customer Account when (i) they are returned to the Customer or (ii) they are liquidated (including in connection with Margin Liquidation).

(5) After the Customer commences clearing under the Covered Agreement and while it has open positions in Covered Contracts, an Event of Default occurs with respect to the Customer, and/or, if applicable, the FCM has designated a date to begin closing out or otherwise liquidating the Customer's open positions in Covered Contracts cleared for it as a result thereof (however, an insolvency proceeding has not been instituted, which is addressed separately in Additional Assumption II.B.6 and questions II.C.15 through II.C.17 below).

(6) the Customer has become subject to insolvency proceedings in Mexico.

C. *Questions ~~to be Addressed~~*

~~Creation~~ Validity and perfection of the security interest

~~I-1.~~ Under the laws of Mexico, what law governs the contractual aspects of the security interest in the Customer's rights and interests in respect of the various ~~forms of Covered~~ types of Collateral? Would the courts of Mexico recognize the validity of a security interest created under the Covered Agreement, assuming it is valid under New York law (as the governing law of the Covered Agreement)?

Please note that our responses to the creation and perfection of the security interest section are, including those regarding the recognition made by a Mexican court regarding the validity of a security interest created under the Cover Agreement under the laws of New York, unless specified otherwise, applicable under the assumption that the ~~Covered~~-Collateral is located in Mexico. As mentioned above, the body of law which contains the basic conflict of laws principles is the Civil Code. The general principle under Mexican law is that parties may elect non-Mexican law as the governing law of their relationships; however, a choice of foreign law may not be valid if it is selected to avoid the application of Mexican principles of public policy or if it is selected for fraudulent purposes.

Another general principle of Mexican conflicts of laws is that Mexican law will recognize legal relationships (including security interests) validly created either in the states which comprise Mexico or in any foreign jurisdiction in accordance with the respective laws thereof.

Despite the general principles stated above, the principle in connection with security interests is that the law of the location of the ~~Covered~~-Collateral would apply to the creation and perfection of security interests. Therefore, the law of the jurisdiction where the Collateral is located would be applicable. It should be noted that under Mexican law and practice thereunder, the concept of the "creation" of a security interest includes the concept of "perfection" thereof, therefore they are not treated as separate concepts thereunder. The law of the location of the Collateral would apply to recognition and enforcement of a FCM's rights, title and/or interest in Collateral, even if the security interest is created pursuant to an agreement governed by the laws of a third country. Although Mexican law would recognize the validity of such security interest if the law of the jurisdiction where the Collateral is located permits the security interest to be created pursuant to a third country's law. In this case if the security interest is deemed to be located in the U.S., the relevant U.S. laws would be applicable. In respect of enforcement and recognition of security interests, Mexican procedural law (including statutes of limitation) would apply in the event of enforcement of security interests before Mexican courts and Mexican procedural and substantive law would apply in respect of the bankruptcy of a Mexican company, a company whose main place of business is located in Mexico or the branch of a foreign entity located in Mexico.

Notwithstanding the foregoing, the creation and perfection of security interests in Collateral located outside of Mexico in accordance with non-Mexican law would be recognized by a Mexican court, assuming such security interest is valid under the law of the jurisdiction where the Collateral is located and the parties have not selected foreign law in order to avoid the application of Mexican principles of public policy or if such laws has been selected for fraudulent purposes. Therefore, the security interest created in the various forms of ~~Covered~~ Collateral will be recognized by Mexican courts.

In respect of security interests created under non-Mexican law, it is pertinent to note that Mexican law generally does not allow the extra-judicial enforcement thereof (except for certain specific cases described below) and, therefore, if enforcement of any such security interest is sought against a Mexican party in a Mexican court (in bankruptcy or otherwise) any such court may not respect such enforcement alleging the violation of due process (which is a public policy concern). Notwithstanding the foregoing, the choice of New York to govern the Base Account Agreement and the CDA, which provide for extra-judicial remedies, with respect to Collateral located outside Mexico would not be viewed as a violation of Mexican public policy and would not undermine a Mexican court's recognition of the creation and perfection of the security interests.

As indicated above, the general principle in connection with security interests is that the law of the location of the Collateral would apply to the creation and perfection of security interests. Movable assets, including securities, must be governed by the law of the jurisdiction where they are located. As a general rule, Mexican securities that have been deposited with the S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores ("Indeval"), Mexico's central depository, clearance and settlement institute, are considered to be located in Mexico. Please note that all Mexican listed securities issued in Mexico are deposited with Indeval. Securities issued, outside Mexico Mexican issuers, including the government of Mexico, that are deposited with Euroclear, Clearstream or DTC are considered to be located outside Mexico.

Depending on the nature and characteristics of the person or entity granting the security interest on the Collateral, there may be certain authorizations to be obtained, or notifications to be made. In general, corporations do not require any authorizations to grant security interests, but their corporate governance rules (i.e. by-laws, (*estatutos sociales*) incorporation deed, shareholders agreements, etc.) may require board approvals or other authorizations to grant security interests. The constituent documents of each entity must be reviewed on a case by case basis and the requirement for authorizations or lack thereof should be addressed in the representations and warranties made by such person or entity in the corresponding agreement. In addition, certain regulated entities, such as banks and broker-dealers may not grant their assets as Collateral or may require governmental authorizations to grant a security interest on their assets. Such authorizations are discussed below.

With regards to the creation and perfection of a security interest under non-Mexican law over assets located outside Mexico, the rules regarding filings, notifications, registrations or other actions under the jurisdiction where the Collateral is located would have to be observed for a Mexican court to recognize such security interest.

2-2. Under the laws of Mexico, what law governs the proprietary aspects of the security interest in the Customer's rights and interests in respect of the different types of ~~Covered~~ Collateral (that is i.e., the formalities required to protect the security interest against competing claims) granted by the ~~Covered~~ Customer (for example, the law of the jurisdiction of incorporation or organization of the ~~Covered~~ Customer, the jurisdiction where the ~~Covered~~ Collateral is Located (or deemed Located), the jurisdiction of the location of the FCM's intermediary or the jurisdiction of the location of the FCM as the ~~Covered~~ Customer's Intermediary securities intermediary, in relation to ~~Covered~~ Collateral in

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the form of ~~indirectly held~~intermediated securities)? What factors would be relevant to this question? If the Location (or deemed Location) of the ~~Covered~~ Collateral is the determining factor, please briefly describe the principles governing such determination under the law of Mexico with respect to the different types of ~~Covered~~ Collateral. If relevant, please describe how the laws of Mexico apply to each form in which securities ~~Covered~~ Collateral may be held as described in ~~assumption (b)~~Additional Assumption II.B.3 above.

As stated above, pursuant to Mexican law, the law of the jurisdiction where the ~~Covered~~ Collateral is located would be the law governing the perfection of a security interest. If the ~~Covered~~ Collateral is located in Mexico, Mexican law will be applicable. If the ~~Covered~~ Collateral is located outside Mexico, Mexican law would not apply even if the security interest in such ~~Covered~~ Collateral was granted by a Mexican entity, unless the parties would agree to have Mexican law to govern such security, to the extent permitted by the law of the jurisdiction where the ~~Covered~~ Collateral is located. The logical approach from a Mexican law perspective would be to apply the laws of the jurisdiction where the ~~Covered~~ Collateral is located, but Mexican law does not make a determination in this regard, and would recognize a different law from the lex situs, if applicable under the foreign law. As a general rule, a Mexican judge will apply the law of the jurisdiction where the ~~Covered~~ Collateral is located to determine the validity, perfection and priority of the security interest in such assets. The Mexican judge will apply only foreign substantive law and, exceptionally conflict of laws rules, in such cases where Mexican law or a third country law may be applicable (in accordance with the doctrine of renvoi). Such principle excludes other parts of the laws of a foreign jurisdiction, like procedural law. The Mexican judge should apply such conflict of laws rules, only when the particular characteristics of a specific situation would result in the application of Mexican law or a third country law. If the conflicts of laws rules of the jurisdiction where the ~~Covered~~ Collateral is deemed to be located would result in the application of Mexican or a third country's laws, then a Mexican court would apply the laws of Mexico or a third country, as the case may be, to govern the creation and perfection of a security interest.

It is important to note that the Mexican rule on lex situs applies to all movable assets (including securities and cash) and does not make any distinction or regulates in any particular way the conflicts of law rules with respect to securities. Therefore, as result of the Mexican rule on lex situs, the law governing the creation and perfection of security interests will be following:

- (i) in the case of bearer securities, either debt or equity, where the physical certificate is located:
- (ii) in the case of registered securities, either debt or equity, indirectly or directly held, where the physical certificate is ultimately deposited by the FCM or a custodian (i.e. a CSD like Indeval). Please note that securities issued by Mexican issuers are generally represented by a single global certificate;
- (iii) in the case of dematerialized securities, it is unclear as Mexican law does not recognize the concept of wholly dematerialized securities, but most likely, the place where the securities are deemed to be deposited (i.e the CSD);
- (iv) in the case of cash collateral, where the cash deposit account in which the cash collateral is physically deposited (CCPs deposit account with its custodian) is located.

3.3. *Would the courts of Mexico recognize ~~the validity of a security interest in the Customer's rights and interests in respect of the~~ different types of ~~Covered~~ Collateral, ~~assuming it is valid under New York law~~? In answering this question, please bear in mind the different forms in which securities ~~Covered~~ Collateral may be held, as described in the ~~assumptions~~Additional Assumption II.B.3 above. Please indicate, in relation to cash ~~Covered~~ Collateral, if your answer depends on the*

~~location of~~ Location (or deemed Location) of the Customer Account or the account in which the relevant deposit obligations are recorded and/or upon the currency of those obligations.

In the event that a security interest in the different types of ~~Covered~~-Collateral, is governed by the laws of a non-Mexican jurisdiction, such as the laws of New York, the Mexican courts would recognize such security interest, so long as the security interest has been validly created in such jurisdiction, provided that the ~~Covered~~-Collateral is located in such non-Mexican jurisdiction. A non-Mexican security interest will not be recognized if (i) foreign law was used to evade fundamental principles of Mexican law and (ii) the foreign law or its application would violate fundamental principles of Mexican law.

A Mexican court would recognize a pledge (subject to the discussions below) pursuant to the security documents in the ~~Covered~~-Collateral, assuming such ~~Covered~~-Collateral is located outside Mexico, even if such security documents include provisions for extra-judicial remedies and such remedies will not be considered a violation of fundamental principles of Mexican law. In such case, no actions would be required in Mexico to ensure the validity or perfection of the pledge.

In the case of cash, the place where the cash deposit account in which the cash collateral is physically maintained (CCPs deposit account with its custodian) would be considered the place of location of the ~~Covered~~-Collateral, irrespective of the currency.

4.4. *What is the effect, if any, under the laws of Mexico of the fact that the amount secured or the amount of ~~any cash or securities Covered~~the Collateral subject to the security interest will fluctuate under the Covered Agreement (including as a result of ~~entering into~~establishing open positions in additional Covered ~~Transactions~~Contracts from time to time)? In particular:*

(a) *Would the security interest be valid in relation to future obligations of the ~~Covered~~ Customer?*

~~The security interest would be valid with respect to future obligations of the Covered Customer.~~

(b) *Would the security interest be valid in relation to future ~~Covered~~-Collateral (that is, ~~Covered~~i.e., cash and securities Collateral not yet delivered to the FCM and open positions not yet established in Covered Contracts at the time of entry into the Covered Agreement)?*

If the ~~Covered~~-Collateral is located outside Mexico and the relevant law permits the security interest to be valid in relation to future ~~Covered~~-Collateral, Mexican law would respect such security interest. With respect to ~~Covered~~-Collateral located in Mexico, the general rule under Mexican law is that a security interest may be created in assets that are owned by the customer, which assets could include the right to receive securities. Therefore, a ~~Covered~~-Customer could create a security interest in its right to receive securities by means of a pledge agreement with the FCM and give a notice to the party obligated to deliver the securities to the ~~Covered~~-Customer. In the case of the pledge without dispossession (which is explained below), the securities to be received by the ~~Covered~~-Customer would be delivered to the ~~Covered~~-Customer, notwithstanding the creation of the security interest thereon in favor of the FCM. A security interest may also be created in the securities themselves when delivered by complying with the creation and perfection requirements applicable thereto, which are described in this opinion.

Except for pledges without dispossession and security trusts, the Mexican system of security interests functions on an asset by asset basis and establishes that pledged assets must belong to the

customer. It does not contemplate the possibility of creating a lien on all or substantially all of the present or future assets of a customer. Therefore, the actual enforcement of a security interest in future ~~Covered~~-Collateral would depend on the review by the court of each particular asset to verify if the particular requirements for the creation and perfection of security interests applicable to each such asset, have been duly complied with. The general statement in a security agreement that a security interest will be created on future property, at best, can be interpreted under Mexican law as a promise to create and perfect a security interest in such future property whenever it exists and it is owned by the customer after fulfilling the creation and perfection requirements applicable to the particular asset, except in the case of industrial mortgages, security trusts and pledges without dispossession, where the creation of a security interest in future ~~Covered~~-Collateral is expressly authorized by the Banking Law and General Law of Credit Transactions and Negotiable Instruments (*Ley General de Títulos y Operaciones de Crédito*; hereinafter referred to as, the “Law of Negotiable Instruments”) respectively.

(c) Is there any difficulty with the concept of creating the security interest over a fluctuating pool of assets, for example, by reason of the impossibility of identifying in the Covered Agreement the specific assets deposited by the ~~Covered~~-Customer with the FCM?

Should Mexican law be applicable (in cases where the ~~Covered~~-Collateral is located in Mexico), except for pledges without dispossession, Prenda Bursatil Agreements or security trusts, which are discussed below, the courts of Mexico would not recognize a security interest in a fluctuating pool of assets because, according to Mexican law, generally, security interests have to refer to specific assets which comply with the applicable creation and perfection requirements. On the other hand, if the ~~Covered~~-Collateral is located outside Mexico and non-Mexican law were to govern, the courts of Mexico would recognize a security interest over a fluctuating pool of assets if such security interest was valid under such foreign law.

Notwithstanding the foregoing, it is possible under Mexican law to create and perfect a security interest in a bank account by means of a contract between the customer and the FCM and give notice to the bank and, therefore, a Mexican court should recognize any such security interest although the cash contained in each such account would vary or fluctuate from time to time. If cash is located outside of Mexico, from time to time, *lex situs* would apply as described above.

(d) Is it necessary under the laws of Mexico for the amount secured by the security interest to be a fixed amount or subject to a fixed maximum amount?

The amount of the secured obligation may be fixed or fluctuating, but the secured obligations have to be identified in the relevant agreement.

(e) Is it permissible under the laws of Mexico for the FCM to hold Customer Collateral in excess of its actual exposure to the ~~Covered~~-Customer under the Covered Agreement?

Yes.

In relation to (a), it is understood that the security interest in the Customer's rights and interests in respect of any specific ~~Covered~~-Collateral would only be relevant in relation to future obligations, if ever, at the time such future obligations arise and then only in relation to ~~Covered~~-Collateral held at that time. This question concerns whether it would be necessary for either party to perform any action at such time in order to ensure the effectiveness of the security interest as security for such obligations or whether the security interest would take effect in relation to those future obligations without further action by either party.

In relation to (b), it is understood that the security interest in the Customer's rights and interests in respect of the different types of ~~Covered~~ Collateral to be delivered at some point in the future after the time of entry into the Covered Agreement would not take effect in relation to such ~~Covered~~ Collateral until it had been delivered to the FCM in accordance with the Covered Agreement. This question concerns whether it would be necessary for either party to perform any action at such time in order to ensure the effectiveness of the security interest in ~~relation to such Covered~~ the Customer's rights and interests in respect of such Collateral or whether the security interest in relation to ~~such Covered~~ the Customer's rights and interests in respect of such Collateral would take effect without further action (other than the delivery) by either party.

In relation to (c), ~~you may~~ we further assume that each specific delivery to the FCM and return by the FCM of ~~Covered~~ Collateral consisting of cash or securities under the Covered Agreement from time to time would be properly recorded by the FCM, so that, while the pool of Collateral would change from time to time, at any specific time the composition of the pool of Collateral could be clearly identified by the FCM.

5-5. Assuming that the courts of Mexico would recognize the security interest in the Customer's rights and interests in respect of each type of ~~Covered~~ Collateral, is any action (filing, registration, notification, stamping, notarization or any other action or the obtaining of any governmental, judicial, regulatory or other order, consent or approval) required in Mexico to perfect the security interest? If so, please indicate what actions must be taken and how such actions may differ, if at all, depending upon the type of ~~Covered~~ Collateral ~~which is subject to the security interest in~~ question.

In the event that the ~~Covered~~ Collateral is located outside Mexico, no action would be required under Mexican law to perfect the security interest.

Under Mexican law, the requirements for the creation and perfection of security interests in ~~Covered~~ Collateral located in Mexico vary depending upon the type of Collateral. Please note that the remainder of this question addresses the scenario of the ~~Covered~~ Collateral being located in Mexico.

Following is a discussion of such creation and perfection requirements by type of ~~Covered~~ Collateral, assuming that such Collateral is located in Mexico. Please note that under Mexican law, if the ~~Covered~~ Collateral is located in Mexico, it will be necessary to execute, besides the Covered Agreement, a pledge or other agreements, including a *prenda bursátil* agreement, as explained below, under Mexican law in order to create and perfect the security interest:

The requirements for the creation and perfection of a security interest in Mexican securities vary depending upon the type of securities. The principal laws governing the creation and perfection of security interests in Mexican securities are the Law of Negotiable Instruments, the Securities Market Law and the Banking Law.

Certificated Equity and Debt Securities: In accordance with the Law of Negotiable Instruments, the general rule as to the creation and perfection of security interests on certificated Mexican equity or debt securities that qualify as “negotiable instruments” is the delivery thereof to the FCM (in the case of bearer securities) and the insertion of an executed “endorsement in guaranty” legend in the text of the security itself, in favor of the FCM. In the case of registered securities (i.e. non-bearer securities or shares) it will also be required to make the corresponding entry in the securities registry book of the issuer.

The Law of Negotiable Instruments contemplates only a limited number of debt securities which constitute “negotiable instruments” (basically promissory notes, drafts, checks and debentures, including subordinated debentures) and the requirements each of them must comply with in order to qualify as such. Equity securities, including shares, are also considered negotiable instruments. In accordance with such statute, (i) debt securities that qualify as “negotiable instruments” but that bear a legend stating that they are “non-negotiable” or (ii) debt securities that do not qualify as “negotiable instruments” may not be assigned by means of an endorsement in guaranty but by a separate assignment agreement and actual notice to the issuer of the security.

The pledge agreement must specifically list the pledged securities. Any change in the number of pledged securities would require an amendment to the agreement. There are no formalities for execution. Enforcement of a regular pledge requires a court order.

Listed Securities: With respect to the creation and perfection of security interests in Mexican debt or equity securities (including government securities), which are deposited with Indeval and traded through book-keeping entries and listed on the Mexican Stock Exchange (Bolsa Mexicana de Valores, S.A.B. de C.V. or the Bolsa Institucional de Valores, S.A. de C.V.; each of them hereinafter referred to as, the “Mexican Stock Exchange”), the Securities Market Law contemplates a special security agreement for such purposes (although it would be possible to use a pledge under the Negotiable Instruments Law to create a security interest in listed securities, it would be advisable to use a *prenda bursatil* agreement). Such agreement is named *Contrato de Prenda Bursatil* (the “Prenda Bursatil Agreement”) that can either be with or without the transmission of possession. In order that a security may be listed in the Mexican Stock Exchange it must be registered with the RNV maintained by the CNBV or to be listed with the SIC²⁹²⁸, and deposited with Indeval. Securities deposited in Indeval are maintained through book-keeping entries and in accounts opened in the name of the relevant Mexican broker-dealer or bank. Mexican broker dealers or banks maintain internal records identifying the securities owned by each client.

The parties to a Prenda Bursatil Agreement must include, in addition to the ~~Covered~~-Customer and the FCM, a Mexican broker-dealer or bank, appointed by both the ~~Covered~~-Customer and the FCM, who acts as administrator of the ~~Covered~~-Collateral, in the event that the FCM does not act in such capacity, and as executor (separate Mexican broker-dealers or banks may be appointed as administrators and executors) of the security interest in case of default. Secured parties are permitted to open accounts directly with the relevant Mexican broker-dealer or bank, (acting as executor, the “Executor”) for purposes of depositing securities granted as ~~Covered~~-Collateral, without requiring the approval of the customer.

The perfection of this security interest requires that the FCM opens an account directly with Indeval or with a Mexican bank or broker dealer acting as custodian (that may also be the Executor) where the pledged securities will be deposited. Each Mexican custodian has three accounts with Indeval (i) one account for its proprietary position, (ii) one account for the client’s position and (iii) one account for depositing pledged securities. Indeval has no knowledge of who is the actual owner of the shares, as it only knows that a custodian has deposited such securities. The custodians maintain separate accounts for clients. FCM would have to request the customer to transfer the securities to the account maintained by FCM’ custodian in Indeval (or in the case of Mexican banks or broker dealers to their account at

²⁹²⁸ The SIC or International Quotation System is a section of the Mexican Stock Exchange where it is possible to list foreign securities not registered with the RNV. In particular, it is possible to list securities that have been offered to the public in countries member of the technical committee of the International Association of Securities Commissions.

Indeval), who in turn will credit those securities to FCM's account as pledged securities. However, if the securities are deposited with the FCM in an omnibus account whereby the FCM entity holds securities on behalf of multiple unnamed customers, it is not necessary to transfer those securities to an account opened in the name of the customer, not to a special pledge account on the books of either Indeval or the custodian.

The relevant agreement may establish rules to increase or decrease the number of pledged securities, but in any case it is necessary to amend the agreement to list the new pledged securities. The amendment could be made by a letter signed by all parties. There are no specific formalities for execution.

This type of security interest has an additional particularity, which is that it expressly allows for the extra-judicial enforcement of the security interest by means of the sale, by the Executor in the market, in the event of default. The extra-judicial enforcement must be effected and completed before the declaration of insolvency, however, or else it would be stayed. The general rule under Mexican law is that extra-judicial enforcement of security interests is not allowed, except in the case of Prenda Bursatil or trust agreements.

Please note that the parties to a Prenda Bursatil Agreement may agree to transfer the ownership of the pledged securities. In this case, the FCM may dispose of the fungible securities, even without the occurrence of an Event of Default and, when required, must return equivalent securities (i.e. same issuer, term, rate etc.). The transfer of ownership would trigger shareholding disclosure obligations.

Moreover, under the Securities Market Law the parties under a Prenda Bursatil Agreement may agree, in cases where the transfer of property in favor of pledgee over the pledged securities has been agreed, that in the event of default of the secured obligation by the ~~Covered~~ Customer, the pledgee may retain the property over the pledged securities without a prior execution procedure or a court sentence. The pledgee may apply the market value of the securities to the payment of the secured obligations. If the ~~Covered~~ Collateral is insufficient to satisfy the total amount of the guaranteed obligations, the creditor will have a claim against debtor for the unpaid balance.

Although securities accounts may be pledged, such pledge would be a regular pledge and not a Prenda Bursatil. The extra-judicial enforcement feature of the Prenda Bursatil would not be applicable to such regular pledge.

Cash and Fungible Securities: Article 336 of the Law of Negotiable Instruments expressly provides that when a security interest is created on cash, fungible goods and securities, the transfer of ownership thereof may be agreed between the parties, and the FCM would be required to return cash or securities of the same type to the customer at the termination of the transaction. Such provision states that the pledge of cash assumes the transfer of title thereof to the FCM. There are no other requirements than the execution of the relevant agreement in writing and the transfer of cash or fungible securities, as the case may be, to the account of the FCM.

Fungible securities are defined as those securities that may be exchangeable for other securities with the same characteristics (i.e. same issuer, class, term, yield, etc). Listed securities will qualify as fungible assets. A security interest over such listed securities may be created using a Prenda Bursatil Agreement or a regular pledge.

It is important to note that under Mexican law, this transfer of ownership is still considered a security interest and not an outright transfer of ownership.

Notwithstanding the above, under the Law of Negotiable Instruments, the pledgee in a cash pledge may apply the pledged cash to the payment of the guaranteed obligations in the event of default of the guaranteed obligations by the customer, when the parties under the pledge agreement agree to the transfer of property of the ~~Covered~~-Collateral to the pledgee. The application of the ~~Covered~~-Collateral to the payment of the outstanding obligations will take place without a prior execution procedure or a court sentence. If the ~~Covered~~-Collateral is insufficient to satisfy the total amount of the guaranteed obligations, the creditor will have a claim against the debtor for the unpaid balance.

In addition, the above-described assets may also be made subject to a security interest using the following methods:

Pledge without Dispossession: This form of pledge does not require as in regular pledges that the assets be physically delivered to the pledgee. Such pledge may be created in respect of movable tangible or intangible property. The ~~Covered~~-Collateral has to be identified but it is possible to pledge all movable property being used in the main business activity of the customer by making only a generic description of such property including cash or securities. It is possible to pledge less than all of the ~~Covered~~-Customer's assets, including cash and securities. Although technically it is feasible to pledge securities using this agreement, in practice it is difficult to identify the pledged securities unless the securities are individually identified by the ~~Covered~~-Customer. Also, it is not easy to release pledged securities, as the agreement would have to be amended before a notary public. For such reasons, this form of agreement is not used very often for securing Covered Transactions.

The ~~Covered~~-Customer is allowed to use the ~~Covered~~-Collateral as part of its productive process, or to sell it within the normal course of its business activities, in which case the proceeds of the sale are subject to the pledge. The right to sell the ~~Covered~~-Collateral within the normal course of business is suspended upon notice that enforcement procedures are initiated, and provided further that ~~Covered~~-Collateral that represents more than 80% of the assets of the ~~Covered~~-Customer may only be sold in the ordinary course of business with the prior approval of the judge or the FCM.

The security interest created in favor of the FCM would rank first in priority to all other secured parties, except, as any other FCM, the FCM would rank after tax claims existing prior to the registration of the pledge and labor claims, unless the assets have been directly acquired with the proceeds of the transaction, in which case the security interest for such transaction prevails even over labor claims. The ranking of the security interest may be changed by express agreement between the secured creditor and creditors of unsecured obligations, or transactions which are secured but not registered, provided that such an agreement is registered with the public registry.

The agreement for a pledge without dispossession must be ratified by a public notary and must be registered in the Public Registry for Movable Assets (*Registro Único de Garantías Mobiliarias*). As with all other agreements discussed in this section, it must be governed by Mexican law. The pledge agreement has to specify the place where the ~~Covered~~-Collateral is held (including securities and cash credited to an account), the minimum consideration for which the customer is allowed to sell or transfer the ~~Covered~~-Collateral, a general description of the persons to whom the ~~Covered~~-Collateral may be sold and how the proceeds of any sale may be used, and which information has to be delivered to the FCM about the transformation, sale or transfer of the ~~Covered~~-Collateral.

If the market value of the ~~Covered~~-Collateral drops below the outstanding amount of the secured transaction and interest thereon, the creditor is entitled to obtain additional ~~Covered~~-Collateral.

As opposed to other types of transactions, the Covered Transaction's assets, pledged without dispossession would continue to pay interest up to an amount equal to the value of the ~~Covered~~-Collateral even if the ~~Covered~~-Customer is subject to an insolvency proceeding.

To the extent the ~~Covered~~-Customer wants to sell the ~~Covered~~-Collateral to related parties, the prior approval of the FCM is required. Sales that have not been specifically approved by the FCM are null and void.

Trusts: Trust agreements may be structured to establish security interests on any type of ~~Covered~~-Collateral, including securities. In any case, it is necessary to have a Mexican bank or other Mexican financial institution acting as trustee. Pursuant to a trust agreement ownership of the ~~Covered~~-Collateral will be transferred to the trustee who may only use those assets in accordance with the terms of the relevant agreement. Mexican law permits the enforcement of a security interest created pursuant to a trust agreement without a court order. The provisions of the Law of Negotiable Instruments regarding the guarantee trusts are very similar to those for the pledge without transfer of possession. Please note that according to the Law of Negotiable Instruments title to the assets is transferred to the trustee and are no longer considered part of the assets of the debtor party and therefore are bankruptcy remote.

Please note that in addition a third party may guarantee the obligations of any of the parties provided that the by-laws of the guarantor permits the granting of such guarantee. The guarantor will be liable for all the obligations of the main obligor. Mexican law provides that contractual obligations such as those assumed by guarantors may only exist to the extent that the main obligations are valid. Therefore, it should be noted that upon the lack of genuineness, validity or enforceability of the obligations of the main obligor under the agreement the obligations of the guarantors will be equally affected and in such circumstances might not be enforced in a proceeding before Mexican courts. Under Mexican law, the extension or the granting of grace periods to the main obligor, any modification of a guaranteed obligation that would increase any obligation of the guarantors, or the novation of the principal obligation, would require the consent of the guarantors. Therefore, note should be taken that the obligations of the guarantors might not be enforced by Mexican courts if the guaranteed obligations are extended, increased or novated without such parties' consent at that time.

6-6. *If there are any other requirements to ensure the validity or perfection of the security interest in the Customer's rights and interests in respect of each type of ~~Covered~~-Collateral, please indicate the nature of such requirements. For example, is it necessary as a matter of formal validity that the Covered Agreement be expressly governed by the law of Mexico or translated into any other language or for the Covered Agreement to include any specific wording? Are there any other documentary formalities that must be observed in order for the security interest in the Customer's rights and interests in respect of any type of ~~Covered~~-Collateral to be recognized as valid and perfected in Mexico?*

If the ~~Covered~~-Collateral is located outside Mexico, there are no requirements in Mexico to ensure the validity or perfection of a security interest, other than those applicable in the relevant jurisdiction.

If the ~~Covered~~-Collateral is located in Mexico, the security interest must take one of the forms described in the preceding response (question 5 above). Please note that the remainder of this question addresses the scenario of the ~~Covered~~-Collateral being located in Mexico. Besides the above-mentioned requirements, it is important to take into consideration the capacity of Mexican counterparties.

(i) Individuals who are married and who have a joint ownership arrangement require spousal consent.

(ii) Corporations should be allowed by their corporate documents (i.e. by-laws) to grant security interests and also their by-laws must be reviewed in order to determine if internal approval (by the board of directors or shareholders) are required to that effect.

(iii) Please note that as a general rule, Mexican banks may not pledge or grant their assets as Collateral, unless a specific authorization is obtained from the CNBV or unless Banco de México issues a general authorization for certain specific types of transactions. Please be advised that the only exception to the general rule is contained in Circular 4/2012 issued by Banco de Mexico, which allows Mexican banks to pledge cash, securities or credit rights as Collateral when entering into listed derivatives or into over-the-counter derivatives with foreign financial institutions, Mexican banks and pension funds for the exclusive purpose of securing the performance of the banks' obligations derived from the above mentioned transactions. Mexican banks may also pledge the above described assets to secure its obligations under Mexican law repurchase agreements (*reporto*) entered with foreign financial institutions, Mexican banks, broker-dealers, and investment and pension funds.

(iv) As a general rule, insurance companies and broker-dealers are not permitted to pledge Collateral unless authorized specifically by Banco de México, the CNBV or the National Bond and Insurance Commission. Broker dealers are authorized to pledge their assets when securing their obligations under the Covered Transactions. Mexican Pension Funds may pledge their assets if entering into the Covered Transactions with foreign or Mexican banks or Covered Transactions entered with foreign financial institutions, Mexican banks, broker dealers, and investment and pension funds.

(v) The obligations of certain governmental entities may be entitled to the full faith and credit of the Federal Government.

In any event, it is necessary to review the power(s)-of-attorney of the representative(s) executing the documentation on behalf of the ~~Covered~~ Customer to confirm the authority needed to execute the agreement. As a general rule, unless the relevant representative has obtained a specific power to pledge the relevant assets, a power for ownership acts (*poder para actos de dominio*) will required. Representatives of Mexican financial entities when pledging cash or securities in order to secure their obligations under derivative transactions require a power for acts of management (*poder para actos de administración*).

No filings to a centralised registry, equivalent to the U.S. Uniform Commercial Code filings, are required in order to create a valid and enforceable security interest. Notwithstanding the foregoing, it is possible to register any pledge or security interest in connection with movable assets in the Public Registry for Movable Assets, in the understanding that, such security interest has been created and is validly existing pursuant to Mexican laws, and provided that the securities are not transferred to the FCM. The Commerce Code specifically provides that security interests created pursuant to trust agreements and pledges without dispossession may be registered. Regular pledges and Prenda Bursátil Agreements or any other form of agreements creating a security interest where the assets are transferred to the FCM may not be registered.

The validity of a pledge or security interest is not subject to its registration in the Public Registry for Movable Assets, nor is such registration mandatory, but, upon such registration, the security interest will be valid vis-à-vis any third party. Such registry allows verifying the existence or nonexistence of previous securities on the pledged assets. It is a mechanism created to provide publicity and transparency

regarding the ranking of the creditors pursuant to the order of registration for purposes of insolvency proceedings in Mexico.

Please note that if the relevant agreement specifically provides for the substitution, increase or decrease of the number of pledged assets or secured obligations at the moment of the initial filings, no new filings must be made, but if the agreement is silent, any substitution, increase or decrease must be recorded.

In addition, the following pledges are required to be registered, (i) pledge agreements of non-listed shares require the registration of the lien in the issuer's registry and notice to the custodian; (ii) a pledge without dispossession must be registered with the Public Registry for Movable Assets; and (iii) guarantee trust agreements must be registered with the Public Registry for Movable Assets.

In each type of agreement to be used to create a security interest, different references to different laws are advisable although are not a validity requirement. Only those Collateral agreements that are to be recorded with the Public Registry for Movable Assets must be granted before a notary public.

As explained above, if the assets are located abroad, the security interest should be created in accordance with the creation and perfection requirements established in the law of the jurisdiction where the assets are located. Mexican law would recognize any such security interest validly created pursuant to a foreign law.

No requirements different from those listed above are imposed in order to recognize the validity of the agreement governed by foreign law. Please note, however, that there are requirements for the enforcement of foreign judgments based on such agreement, which will be discussed in other sections of this opinion.

7-7. *Assuming that the FCM has obtained a valid and perfected security interest under the laws of Mexico, to the extent such laws apply, by complying with the requirements set forth in your responses to questions II.C.1 to through II.C.6 above, as applicable, will the FCM or the ~~Covered~~ Customer need to take any action thereafter to ensure that the security interest continues to be and/or remains perfected, particularly with respect to additional cash or securities ~~Covered~~ Collateral transferred from time to time when required pursuant to the Covered Agreement?*

If the requirements set forth hereinabove as to the creation and perfection of the security interests have been complied with, generally, there are no subsequent or ongoing formal or procedural requirements that must be undertaken to maintain or continue the security interest.

Any additional security interest pledged from time to time would require compliance in each instance with the creation and perfection requirements applicable to each specific type of asset. In this regard, if the original security interest required any governmental approval (as in the case of banks and broker-dealers), the addition of new security interests would probably need a new or supplemental approval.

8. *Assuming that (a) pursuant to the laws of Mexico, the laws of another jurisdiction govern the validity and/or perfection of a security interest in the Customer's rights and interests in respect of any type of Collateral (e.g., because the Collateral is Located or deemed Located outside Mexico) and (b) the FCM has obtained a valid and perfected security interest in the Collateral under the laws of such other jurisdiction, will the FCM have a valid security interest in the Collateral so far as the laws of*

Mexico are concerned? Is any action (filing, registration, notification, stamping or notarization or any other action or the obtaining or any governmental, judicial, regulatory or other order, consent or approval) required under the laws of Mexico to establish, perfect, continue or enforce the security interest? Are there any other requirements of the type referred to in question II.C.6 above?

Yes, under the abovementioned assumptions, the FCM would have a valid security interest in the Collateral under the laws of Mexico. Regarding the requirements for enforcing a foreign judgment in Mexico, please see our answers in question C.11 below.

8-9. *Are there any particular duties, obligations or limitations imposed on the FCM in relation to the care of the ~~Covered~~ Collateral held by it pursuant to the security interest?*

If the ~~Covered~~ Collateral is located in Mexico, and the security interest has been perfected under Mexican law, then the FCM, is obligated to (i) in the cases where ownership has not been transferred, keep and maintain the ~~Covered~~ Collateral (i.e. as duty of due care), (ii) exercise all rights derived from the ~~Covered~~ Collateral, being the expenses incurred thereunder payable by the ~~Covered~~ Customer and, (iii) apply any amounts derived from the ~~Covered~~ Collateral to the payment of the secured obligations, unless specified otherwise. If the ~~Covered~~ Collateral is located outside Mexico, Mexican law is not applicable to the Covered Agreement, and there would be no particular duties, obligations or limitations under Mexican law.

9-10. *Do the laws of Mexico recognize the right of the FCM to use cash or securities ~~Covered~~ Collateral (as described in ~~additional assumption~~ Additional Assumptions II.B2 and II.B.3 above) pursuant to an agreement with the ~~Covered~~ Customer? In particular, how does such use of the ~~Covered~~ Collateral affect, if at all, the validity, continuity, perfection or priority of the security interest otherwise validly created and perfected prior to such use? Are there any other obligations, duties or limitations imposed on the FCM with respect to its use of such ~~Covered~~ Collateral under the laws of Mexico?*

The laws of Mexico would recognize the right of the FCM to use such ~~Covered~~ Collateral pursuant to an agreement with the ~~Covered~~ Customer and would not impose any requirements, obligations, duties or limitations other than those imposed by the jurisdiction of where the ~~Covered~~ Collateral is located.

If the ~~Covered~~ Collateral is located in Mexico, the general rule under Mexican law is that the FCM cannot use or dispose of the ~~Covered~~ Collateral unless the nature of the security arrangement implies the transfer of ownership of the ~~Covered~~ Collateral in favor of the FCM, which, under Mexican law generally, only occurs in the case of pledge of cash or other fungible property located in Mexico (in this last case if so agreed by the parties), e.g., Prenda Bursátil Agreements where such transfer of title has been agreed or in the case of Mexican reportos). In these cases, the FCM acquires title to the ~~Covered~~ Collateral and is entitled to dispose of it freely (either by means of re-pledging or re-hypothecating or selling or transferring title to the ~~Covered~~ Collateral) since it is only obligated to return similar Collateral to the ~~Covered~~ Customer upon termination of the transaction. The Law of Negotiable Instruments expressly prohibits the creation of a security interest or a re-pledge in goods that are subject to a pledge without the transmission of possession.

Except for the cases discussed in the preceding paragraphs, generally, title to pledged ~~Covered~~ Collateral does not pass to the FCM. Therefore, if the ~~Covered~~ Collateral is located in Mexico, the FCM, may only hypothecate or pledge the ~~Covered~~ Collateral in the form of cash, fungible securities under a pledge agreement or listed securities under a Prenda Bursátil Agreement in the event that the parties have agreed to transfer title. If the FCM unlawfully disposes of the ~~Covered~~ Collateral (i.e. sells the ~~Covered~~

Collateral without a court order or prior to the time it is entitled to do it in accordance with the Covered Agreement), it will be liable for the losses and damages suffered by the ~~Covered~~ Customer as a result of such transfer. The unlawful disposition of the ~~Covered~~ Collateral by the FCM before it is entitled to do so under the Covered Agreement would not affect the validity and perfection of the security interest, but could jeopardize the ability of the FCM to enforce its rights before a Mexican court. In other words, the improper use of the ~~Covered~~ Collateral by the FCM would not undermine the security interest, but would restrict the ability of the FCM to enforce the security interest.

Enforcement of the security interest in ~~Covered~~ Collateral in the absence of an insolvency proceeding

Note ~~the additional assumption~~ Additional Assumption in II.B.(d5) above, which applies to questions ~~10II.C.11~~ through ~~12II.C.14~~ below.

~~10-11.~~ *Assuming that the FCM has obtained a valid and perfected security interest under the laws of Mexico, to the extent such laws apply, by complying with the requirements set forth in your responses to questions II.C.1 ~~to~~ through II.C.6 above, as applicable, what are the formalities (including the necessity to obtain a court order or conduct an auction), notification requirements (to the ~~Covered~~ Customer or any other person) or other procedures, if any, that the FCM must observe or undertake in enforcing its security interest as an FCM a secured party under the Covered Agreement? For example, is it free to sell the ~~Covered~~ Collateral (including to itself) and apply the proceeds to satisfy the ~~Covered~~ Customer's outstanding obligations under the Covered Agreement? Do such formalities or procedures differ depending on the type of ~~Covered~~ Collateral involved?*

- (i) ~~Covered~~ Collateral located outside Mexico:

A FCM would not have to follow any Mexican law requirements to enforce against the ~~Covered~~ Collateral located outside Mexico, and the provisions of the Covered Agreement for enforcement of the ~~Covered~~ Collateral would apply, including the provisions referring to set-off in the event of early termination, or default by the ~~Covered~~ Customer. Based on the above, we can conclude that Mexican legal requirements relating to the enforcement of a security interest given by a ~~Covered~~ Customer do not apply to the enforcement of ~~Covered~~ Collateral held outside Mexico.

- (ii) ~~Covered~~ Collateral located in Mexico:

Please note that under Mexican law, as a general rule, secured parties are only permitted to enforce ~~Covered~~ Collateral located in Mexico through a judicial proceeding.

As previously mentioned in this opinion, there are three exceptions:

(i) Prenda Bursátil Agreement. Under such an agreement it is not necessary for a court to be involved in the process of selling the ~~Covered~~ Collateral. Once an event of default has occurred, the FCM would notify such event to the executor, who in turn would request payment from the ~~Covered~~ Customer. It is advisable that such request is made through a notary public. If payment is not made within a certain previously agreed period of time (usually three business days), the executor will sell the securities ~~Covered~~ Collateral either, in the Mexican Stock Exchange, or off-exchange, as the case may be. Please note that the parties to a Prenda Bursátil Agreement may agree to transfer the ownership of the pledged securities. In this case, the FCM may dispose of the fungible securities and, when required, must return equivalent securities (i.e. same issuer, term, rate etc.). The transfer of ownership would trigger shareholding disclosure obligations.

(ii) Security trust agreements. In this type of agreement it is also possible to include a provision allowing the trustee to sell the ~~Covered~~-Collateral in the event of a default without any judicial involvement provided that proper notice is given to the ~~Covered~~-Customer before the sale takes place and before the ~~Covered~~-Customer does not pay the amounts owed prior to the sale. A sales procedure has to be agreed by the parties in the relevant trust agreement.

(iii) Pledge of cash or fungible securities. In the agreements in which title has been transferred to the FCM, no judicial foreclosure is required, although it may be possible to request, from a judge, a confirmation that the FCM has no obligation to return such assets. Obviously, if the ~~Covered~~-Customer is not in default and performs its obligations, the FCM must return the ~~Covered~~-Collateral. The ~~Covered~~-Customer may cure the default at any time prior to the moment the sentence is issued by the judge. In this case all pending obligations, including default interests must be paid. Under the Law of Negotiable Instruments, the pledgee in a cash pledge may apply the pledged cash to the payment of the guaranteed obligations in the event of default of the guaranteed obligations by the customer, when the parties under the pledge agreement agree to the transfer of property of the ~~Covered~~-Collateral to the pledgee. The application of the ~~Covered~~-Collateral to the payment of the outstanding obligations will take place without a prior execution procedure or a court sentence. If the ~~Covered~~-Collateral is insufficient to satisfy the total amount of the guaranteed obligations, the FCM will have a claim against the debtor for the unpaid balance.

Except for such cases, a FCM may not enforce ~~Covered~~-Collateral located in Mexico without a court order. The FCM has to file the legal action demanding payment of the amount due by the customer because of the underlying Covered Transaction and requesting permission to realize upon the ~~Covered~~-Collateral. After proper notice, the ~~Covered~~-Customer has a specific time in which it is required to respond. A special period of time is also allowed for the delivery of evidence by each party. All evidence is required to be submitted in writing; there are no oral proceedings. Each party's representatives must hold a notarized power of attorney. All documents must be submitted in Spanish language or accompanied by a duly certified Spanish translation by a court approved translator. At the end of each procedural stage the Mexican judge is required to issue a determination declaring that such stage of the proceeding has been closed or concluded. Each determination of the judge can be (and generally is) appealed against by the defendant. If the judge omitted some procedural requirements or if certain specific requirements are not met the defendant has the right to initiate an "amparo" proceeding before federal courts on the basis that there has been violation of its constitutional due process rights.

Regarding netting of collateral, ~~Covered~~-Collateral consisting in a pledge of securities or cash where ownership has been transferred to the secured party granted in connection with derivatives transactions will be netted as described above and not subject to the stay. Additionally, with regards to the enforcement of ~~Covered~~-Collateral, under the Commercial Insolvency Law, enforcement of collateral will be subject to a stay or freeze during the duration of the reconciliation stage (approximately one year), except for the collateral granted under a *prenda bursátil agreement* with transfer of ownership, or under a pledge of cash or fungible securities or when the judge considers that the pledged assets are not fundamental for the normal operation of the insolvent party.

12. Assuming that (a) pursuant to the laws of Mexico, the laws of another jurisdiction govern the validity and/or perfection of a security interest in the Customer's rights and interests in respect of any Collateral (e.g., because such Collateral is Located or deemed Located outside Mexico) and (b) the FCM has obtained a valid and perfected security interests under the laws of such other jurisdiction, are there any formalities, notification requirements or other procedures, if any, that the FCM must observe or undertake in Mexico in exercising its rights as a secured party under the Covered Agreement?

Based on the assumptions mentioned above, please be advised that under Mexican law, there are no formalities, notification requirements or other procedures that FCM has to observe or comply with in order for the FCM to exercise its rights as a FCM under the Covered Agreement. Notwithstanding the above, we would recommend that upon the execution of the relevant the agreement, customer appoints an agent for the service of process in the jurisdiction where the security interest in the Collateral will be enforced, to avoid any procedural delay and any intervention of a Mexican court in connection with any notice required to be given to the Customer. In addition, please note that service of process to the defendant (or its duly appointed process agent) must be made personally. It should be noted that service of process by mail does not constitute personal service of process under Mexican law and, since such service is considered to be a basic procedural requirement, if for purposes of proceedings outside Mexico service of process is made by mail, a final judgment based on such process would not be enforced by the courts of Mexico.

11-13. Are there any laws or regulations in Mexico that would limit or distinguish a creditor's enforcement rights with respect to the security interest in the Customer's rights and interests in respect of any type of ~~Covered~~-Collateral depending on (a) the type of transaction underlying the creditor's exposure, (b) the type of Collateral or (c) the nature of the creditor or the debtor? For example, are there any types of "statutory liens" that would be deemed to take precedence over ~~the~~ security interest?

Except for claims of workers for unpaid wages or fringe benefits and claims of the government for unpaid taxes existing prior to the registration of the relevant security interest, no other creditor would have priority over a FCM on the proceeds of the security interest or the sale of the ~~Covered~~-Collateral. In the case of regulated entities, other parties may have statutory preferences (for instance, the statutory preferences of depositors in the case of Mexican banks).

12-14. How would your response to questions ~~10 and II.C.11~~ through II.C.13 above change, if at all, assuming that an insolvency proceeding above has occurred with respect to the FCM (notwithstanding that the Covered Agreement may not provide for any events of default in respect of the FCM) rather than or in addition to the ~~Covered~~-Customer (for example, would this affect this ability of the FCM to enforce its security interest in ~~Covered~~the Customer's rights and interests in the Collateral)?

The responses would not change.

Enforcement of the security ~~in~~interest in the Customer's rights and interests in Collateral after the commencement of an insolvency proceeding

Note ~~the additional assumption in~~Additional Assumption II.B.(e)6 above, which applies to questions ~~13 through II.C.15~~ through II.C.17 below.

13-15. How are competing priorities between creditors determined in Mexico? What conditions must be satisfied if the FCM's security interest in the Customer's rights and interests in each type of ~~Covered~~-Collateral is to have priority over all other claims (secured or unsecured) of an interest in the ~~Covered~~-Collateral?

Except for claims of workers for unpaid wages or fringe benefits, and unpaid taxes in certain specific circumstances in a bankruptcy proceeding, no other creditor would have priority over a FCM in respect of the proceeds of the security interest or the sale of the ~~Covered~~-Collateral. The general rule is

that labor liabilities (with a maximum of two years of wages and other labor obligations) rank first with respect to other debts. Tax liabilities rank below secured creditors if the relevant secured interest has been registered in the relevant public registry of the domicile of the debtor (public registry of property, in the case of real estate or in the public registry of commerce, for pledges without dispossession and other pledges) before the tax claim was notified to the debtor by the tax authorities. The FCM can register its claims by executing an agreement before a notary public in a public deed and registering the public deed in the relevant public registry. Labor liabilities must be paid first with all assets not subject to a security interest. Only in the event that such assets are not sufficient to cover labor liabilities, the balance will be divided pro rata among all secured creditors. Generally, no new security interest may take preference over an existing security interest. However, only with respect to pledges without dispossession, it is possible to agree different preferences.

14-16. Would the FCM's enforcement of its security interest in the Customer's rights and interests in any type of Covered-Collateral be subject to any stay, moratorium or freeze or otherwise be affected by commencement of the insolvency (that is, how does the institution of an insolvency proceeding change your response to question 10 above, if at all)?

Enforcement in Insolvency under the Commercial Insolvency Law:

The Commercial Insolvency Law provides for a single procedure with two stages. In the first stage, the “conciliatory stage”, which begins on the date of declaration of insolvency and lasts up to a year, the parties must try to reach a reorganization agreement. If no agreement is reached, a second stage, the “bankruptcy stage” will be initiated with the purpose of using the assets of the bankrupt party to repay creditors. Once a Mexican judge has declared a debtor bankrupt, individual assets or the enterprise as a whole are marked for the sale and notices are sent out to potential bidders, after the sale of assets takes place, ranking and payment to recognized creditors (based upon priorities specified under Mexican law), subject to the preference of labor and thereafter, secured creditors and taxing authorities, will begin as soon as practicable. In general, any lawsuit filed prior to the declaration of insolvency, (except for tax claims) will not be stayed and will continue in the court where originally filed, although execution of attachments will be stayed, unless the judge considers that the assets are not fundamental for the operation of the insolvent party in which case it may approve the enforcement of its security interest in any type of ~~Covered-Collateral~~. Such stay or freeze will remain in effect during the term of the reorganization stage of the insolvency proceeding, which should not exceed one year. If no agreement was reached within that year, the bankruptcy stage will begin. Once the bankruptcy stage initiates, the FCM may enforce its ~~Covered-Collateral~~.

Under the Commercial Insolvency Law, upon the declaration of insolvency of a Mexican party (except for banking institutions), all outstanding obligations thereof resulting from financial derivative transactions (which include the Covered Transactions) will become due and payable, and the debts of the insolvent party must be netted or paid with the assets given as security interest in the “agent-trust” and statutory trust or Collateral under the corresponding Covered Transactions, when the Covered Agreement provides that the property over the ~~Covered-Collateral~~ assets must be transferred to the FCM.

There are two exceptions to the stay. In the case of Prenda Bursátil Agreements and cash pledges where the ownership of the assets has been transferred to the secured parties and the parties have agreed for the netting of the pledged assets against unpaid obligations, the parties may net such amounts even after the declaration of insolvency. Also in the cases when the judge considers that the pledged assets are not fundamental for the operation of the insolvent party the ~~Covered-Collateral~~ may be foreclosed as discussed below.

Except for the exceptions set forth above, in order for a FCM to exercise its enforcement rights under a bankruptcy scenario it will be required for the judge to recognize the claim of the FCM and order the sale of the assets of the bankrupt ~~Covered~~ Customer. Such enforcement may only take place once the conciliatory stage of the bankruptcy process is finished, which could take up to a year.

During the conciliatory stage, a FCM may not request authorization to enforce the ~~Covered~~ Collateral and there is a stay on any enforcement procedures. The stay will start automatically upon the declaration of insolvency, although the judge may order the stay to start at any time after the filing of the petition and prior to the declaration of insolvency date. The stay would be equally applicable to all types of ~~Covered~~ Collateral whether taken by transfer of title, by charge or by pledge. Once the ~~Covered~~ Customer is on the bankruptcy stage, the ~~Covered~~ Collateral may be executed, although the bankruptcy trustee and the judge may oppose to such execution if they consider that it is better for the creditors to sell all the assets of the bankrupt party together.

According with the Commercial Insolvency Law, on the date of declaration of insolvency, all foreign currency denominated debts must be converted into Pesos and then into UDIS. In such form, the amounts would be converted into Pesos but it will increase in accordance with inflation. Peso denominated debts must be converted into UDIS. The exchange risk would not be reduced, but at least the amounts would be increased with inflation. Secured Futures Transactions are not converted into Pesos and UDIS. If the value of the ~~Covered~~ Collateral is less than the value of the secured obligation, the FCM may request to effect its own valuation of the ~~Covered~~ Collateral and will be considered a FCM with respect to an amount equal to the value of the ~~Covered~~ Collateral. The remaining portion will be treated as unsecured loans. Both amounts should be converted into UDIS. In such case the FCM must waive its rights to the difference between the value obtained upon enforcement and the value attributed to the ~~Covered~~ Collateral.

(ii) Enforcement in Insolvency under the Banking Law:

The Commercial Insolvency Law is not applicable to banks. In this sense, the Banking Law creates a special judicial liquidation procedure for insolvent banks. This procedure will take place in the event that the CNBV revokes the authorization of a bank to organize and operate as a banking institution if such bank has no positive capital, meaning that its assets are insufficient to cover its debts.

The IPAB is the only party with authority to request a Federal judge for the commencement of the judicial liquidation procedure against a bank in liquidation, and will act as judicial liquidator of the corresponding bank. The IPAB will be empowered to carry out all acts towards the liquidation of the bank, including collecting all of the bank's account receivables, selling of the bank's assets, paying or conveying the bank's debts and liquidating the bank's shareholders if possible.

The liquidation procedure for banks under the Banking Law, unlike the Commercial Insolvency Law, does not foresee a conciliation stage prior to liquidation, where the bank could come to an agreement with its creditors to avoid liquidation.

Under the Banking Law, upon the commencement of a bank judicial liquidation procedure, any lawsuit filed prior to the declaration of insolvency, will not be stayed and will continue in the court where originally filed. The foreclosure rights of a creditor would be subject to a stay or freeze, except when the ~~Covered~~ Collateral is secured by a guarantee over property (real guarantee or *garantía real*); however, the IPAB as liquidator of the bank, may oppose to the execution of the guarantee when it deems that such opposition is in the best interest of the bank in liquidation.

Moreover, according with the Banking Law, as of the date when the corresponding bank goes into liquidation, all foreign currency denominated debts must be converted into Pesos. Secured Futures Transactions, on the other hand will remain in the currency agreed upon by the parties, and are not converted into Pesos.

Furthermore, as mentioned before, under the Banking Law, derivative transactions (which include the Covered Transactions), will become due and payable and netted two days after the date when the revocation of the authorization to organize and operate as a banking institution is published in the Official Gazette; notwithstanding the terms of the corresponding agreement or any other statutory provision. Once the statutory two business day term has elapsed, the obligations under the derivative transactions (which include the Covered Transactions) will become due and payable and may be netted. Additionally, any ~~Covered~~-Collateral may be applied to the payment of the outstanding obligations, after netting, as long as the parties agreed to the conveyance of property over the ~~Covered~~-Collateral in favor of the creditor.

(i) Enforcement of ~~Covered~~-Collateral created under Non-Mexican Law:

In the event the filing of a petition of insolvency procedure of the ~~Covered~~-Customer (including a bank), constitutes an event of default which may trigger the foreclosure of the security interest and such security interest is created under non-Mexican law regarding ~~Covered~~-Collateral located abroad, then we would recommend to have the foreclosure completed outside Mexico before the judge declares the insolvency in Mexico (or orders as a precautionary order to suspend all enforcement). Once the judge orders the suspension of enforcement procedures (which order may be issued as early as a few days after the filing of the petition) no ~~Covered~~-Collateral located in Mexico may be enforced. In the absence of such suspension order, ~~Covered~~-Collateral held in Mexico under a Prenda Bursátil Agreement or a pledge of cash or fungible securities may still be enforced until the declaration of insolvency is entered.

The law governing the creation and perfection of security interests is the law of the jurisdiction where the assets are located. If a security document is executed outside of Mexico, the ~~Covered~~-Collateral is held outside of Mexico, the relevant documentation allows for the foreclosure of the ~~Covered~~-Collateral and such actions are permitted under the non-Mexican law governing the transaction, then the FCM could consider exercising those rights immediately. A swift termination of the transaction may be the best course of action by the non-defaulting party. Although there is no express provision under Mexican law which would prohibit such course of action, there may be a risk of the receiver challenging such enforcement. If the disposition of the securities and the ~~Covered~~-Collateral is contractually permitted and legal in the jurisdiction where such security interest was created and perfected, and if it is carried out in a commercially reasonable manner and the balance after payment of amounts owed under the agreement is remitted back to the receiver, it is unlikely that the receiver would have sufficient economic or legal interest to challenge such actions. The risk of challenge would be the same for a charge or a pledge.

In practice, therefore, it is unlikely that any Mexican court or Mexican bankruptcy judge would be able to freeze any assets located abroad before the foreclosure procedure has been concluded and the ~~Covered~~-Collateral has been disposed of. Technically, however, there is no provision under Mexican law which would prohibit the Mexican judge, at the request of the receiver, from requesting a foreign court not to permit the exercise of the rights of the FCM in order to have the assets become a part of the insolvent ~~Covered~~-Customer's estate. There are no specific penalties contemplated by the Commercial Insolvency Law or the Banking Law in this respect, if the FCM does not comply with such a request. However, in the event that an acceleration and subsequent disposition of ~~Covered~~-Collateral were challenged, and the receiver prevails and is able to establish jurisdiction over the FCM, it may require

such party to compensate the estate of the bankrupt party or the bank in liquidation, for any damages and losses suffered as a result of the actions of the FCM. The risk of challenge would exist even if no injunction is obtained from the foreign court.

15-17. Will the ~~Covered~~ Customer (or its administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official) be able to recover any transfers of ~~Covered~~ Collateral consisting of cash or securities made to the FCM during a certain “suspect period” preceding the date of the insolvency as a result of such a transfer constituting a “preference,” fraudulent transfer or transaction at an undervalue (however called and whether or not fraudulent) in favor of the FCM or on any other basis? If so, how long before the insolvency does this suspect period begin? Would the posting of additional margin (which could be required when ~~the~~ the Customer Account’s net liquidating equity has fallen below the required margin level for the Customer Account due to trading losses in respect of one or more ~~Covered~~ Transactions/Contracts cleared for the Customer) during the suspect period be subject to avoidance, either because the ~~Covered~~ Collateral was considered to relate to an antecedent or pre-existing obligation or for some other reason?

In accordance with the Commercial Insolvency Law, in the event that a Mexican ~~Covered~~ Customer is declared insolvent, the competent judge will establish a date (at least 270 (two hundred and seventy) days prior to the date of the declaration of insolvency, which may be extended without exceeding 3 (three) years) from which all transactions effected by the ~~Covered~~ Customer (including, without limitation, the creation of a security interest or the substitution of ~~Covered~~ Collateral) will be voidable if they were done fraudulently by the ~~Covered~~ Customer and third parties involved therein had knowledge of such fraudulent intent (such period is referred to as the “Retroactivity Period”). All transactions entered during the Retroactivity Period, even ~~Covered~~ Collateral granted outside Mexico, will be subject to scrutiny. In addition, other creditors of the insolvent ~~Covered~~ Customer would have standing to request the judge to scrutinize any such transactions to determine whether they were done fraudulently to the detriment of the other creditors of the insolvent ~~Covered~~ Customer. If the judge determines that any such transaction was done with fraudulent intent, it may declare any such transaction null and void and order the restitution of the relevant assets to the estate of the insolvent ~~Covered~~ Customer for the benefit of all creditors (if any such assets are no longer in possession of the relevant third party, the judge may order the payment to the estate of the losses and damages caused by the absence of any such asset).

In addition, the Commercial Insolvency Law establishes certain transactions done within the Retroactivity Period which are deemed void since they are considered to be done fraudulently; such cases are the following: (i) gratuitous transactions, (ii) transactions or sales whereby the value of the consideration received by the insolvent customer is manifestly lower than the consideration delivered by the insolvent customer to the relevant party, or transactions or sales whereby the value of the consideration paid by the insolvent customer is manifestly higher than the consideration received by the insolvent customer, (iii) transactions entered into by the insolvent customer that include terms and conditions that are not at arms-length, (iv) any cancellation of debt authorized by, and payable to, the insolvent customer, (v) payment to or by the insolvent customer of obligations which are not yet due and payable and (vi) discounting of accounts receivable by the insolvent customer after the Retroactivity Period. In this respect, the Commercial Insolvency Law provides that (i) such payments will not be declared void if they benefit the estate by becoming a part thereof and (ii) third parties who return to the estate of the insolvent customer any such asset, will have the right to be recognized and ranked as creditors of the estate of the insolvent ~~Covered~~ Customer.

Furthermore, the Commercial Insolvency Law provides that the following transactions entered into within the Retroactivity Period will be presumed to be done fraudulently except if the parties thereto

prove that they were entered into in good faith (i.e. transactions entered for a good business reason and at market terms and conditions): (i) the creation of security interests, or an increase thereof, when the original obligation did not include such ~~Covered~~-Collateral or such an increase when incurred, including amending the relevant ~~Covered~~-Collateral and (ii) the payment of obligations in kind when the obligation was different to the agreed-upon obligation or when the agreed-upon consideration was cash. In our view, if the parties demonstrate their good faith and that the purpose was not to defraud other creditors but to enter into a Covered Transaction for good business reasons and at market terms and conditions, the granting of ~~Covered~~-Collateral when it was not originally provided or the payment in kind would not be viewed as fraudulent.

Claw-Back Period under the Banking Law:

In connection with banks, Article 261 of the Banking Law provides that acts entered into by a bank during the Retroactivity Period of 270 (two hundred and seventy) days prior to the date when the competent Federal judge appoints the IPAB as liquidator in a bank judicial liquidation procedure, may be subject to scrutiny to determine if they were made to defraud creditors. All acts entered into by the bank in liquidation in order to defraud the bank's creditors may be declared null and void by the overseeing judge.

The Banking Law also sets forth a list of transactions deemed fraudulent if done within the Retroactivity Period; such cases are the following: (i) gratuitous transactions, (ii) waiver of collection rights, (iii) acts in contravention of Article 106 of the Banking Law, (iv) discount of its assets, (v) transactions or sales whereby the value of the consideration received by the insolvent bank is manifestly lower than the consideration delivered by the insolvent bank to the relevant customer, or transactions or sales whereby the value of the consideration paid by the insolvent bank is manifestly higher than the consideration received by the insolvent bank, (vi) the creation of security interests or an increase thereof, when the original obligation did not include such collateral or such an increase when incurred, (vii) the payment of obligations in kind when the agreed-upon consideration was cash, (viii) acts in contravention of corrective measures imposed to the insolvent bank under the Banking Law, and (iv) related party transactions, in contravention of the Banking Law. In this respect, the Banking Law provides that (i) such payments will not be declared void if they benefit the bank's estate by becoming a part thereof and (ii) third parties who return to the estate of the insolvent bank any such asset will have the right to be recognized and ranked as creditors of the estate of the insolvent debtor.

Note the additional assumption in H.B.(d) above which applies to question 16 below.

Miscellaneous

~~16. Assuming that (a) pursuant to the laws of Mexico, the laws of another jurisdiction govern the creation and/or perfection of the security interest (for example, because such Covered Collateral is Located or deemed Located outside Mexico) and (b) the FCM has obtained a valid and perfected security interest under the laws of such other jurisdiction, are there any formalities, notification requirements or other procedures, if any, that the FCM must observe or undertake in Mexico in enforcing its security interest in Covered Collateral?~~

18. If relevant in Mexico, please analyze whether or not the Covered Agreement, and the collateral arrangements contemplated thereby, would constitute a financial collateral arrangement under the local implementation of Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

~~Based on the assumptions mentioned above, please be advised that under Mexican law, there are no formalities, notification requirements or other procedures that FCM has to observe or comply with in~~

~~order for the FCM to exercise its rights as a FCM under the Covered Agreement. Notwithstanding the above, we would recommend that upon the execution of the relevant the agreement, customer appoints an agent for the service of process in the jurisdiction where the security interest in the Covered Collateral will be enforced, to avoid any procedural delay and any intervention of a Mexican court in connection with any notice required to be given to the Covered Customer. In addition, please note that service of process to the defendant (or its duly appointed process agent) must be made personally. It should be noted that service of process by mail does not constitute personal service of process under Mexican law and, since such service is considered to be a basic procedural requirement, if for purposes of proceedings outside Mexico service of process is made by mail, a final judgment based on such process would not be enforced by the courts of Mexico.~~

Not relevant for Mexico.

Additional considerations

~~17-19.~~ **Are there any other local law considerations that you would recommend the FCM to consider in connection with enforcing its security interest in ~~Covered~~the Customer's rights and interests in respect of any Collateral?**

~~No.~~

~~18. Are there any other circumstances you can foresee that might affect the FCM's ability to enforce its security interest in the Covered Collateral in Mexico?~~

Mexican courts would recognize and enforce a final judgement of a foreign court of competent jurisdiction in respect of the ~~Covered~~ Collateral of a ~~Covered~~ Customer located outside Mexico, pursuant to Articles 569 and 571 of the Mexican Federal Code of Civil Procedures and Article 1347A of the Commerce Code, which provide, *inter alia*, that any judgement rendered outside Mexico may be enforced by Mexican courts, provided that:

(a) such judgement is obtained in compliance with legal requirements of the jurisdiction of the court rendering such judgement and in compliance with all legal requirements of the relevant agreement;

(b) such judgement is strictly for the payment of a certain sum of money based on an *in personam* (as opposed to an *in rem*) action;

(c) service of process was made personally on the relevant customer or on the process agent designated in the relevant agreement;

(d) such judgement does not contravene Mexican public policy, Mexican law, international treaties or agreements binding upon Mexico or generally accepted principles of international law;

(e) the applicable procedure under the laws of Mexico with respect to the enforcement of foreign judgements (including the issuance of a letter rogatory by the competent authority of such jurisdiction requesting enforcement of such judgement and the certification of such judgement as authentic by the corresponding authorities of such jurisdiction in accordance with the laws thereof) is complied with;

(f) such judgement is final in the jurisdiction where it was obtained;

(g) the action in respect of which such judgment is rendered is not the subject matter of a lawsuit among the same parties, pending before a Mexican court; and

(h) the courts of the relevant jurisdiction recognize the principles of reciprocity in connection with the enforcement of Mexican judgements therein.

20. *Are there any other circumstances you can foresee that might affect the FCM's ability to enforce its security interest in the Customer's rights and interests in respect of Collateral in Mexico?*

No.

The foregoing opinion is subject to the following qualifications:

(a) in any proceedings brought to the courts of Mexico for the enforcement of the Covered Agreement and the Covered Transactions, a Mexican court would apply Mexican procedural law in such proceedings;

(b) in the event that proceedings are brought in Mexico, seeking performance of the obligations of one of the parties, pursuant to the Mexican Monetary Law, such party, may discharge its obligations by paying any sums due in a currency other than Mexican currency, in Mexican currency at the rate of exchange prevailing in Mexico on the date when payment is made;

(c) provisions of the Covered Agreement and the Covered Transactions granting discretionary authority to any party thereof cannot be exercised in a manner inconsistent with relevant facts nor defeat any requirements from a competent authority to produce satisfactory evidence as to the basis of any determination; in addition, under Mexican law, the parties will have the right to contest in court any determination, notice or certificate of any party purporting to be conclusive and binding;

(d) in the event that any legal proceedings are brought to the courts of Mexico, a Spanish translation of the documents required in such proceedings prepared by a court-approved translator would have to be approved by the court after the defendant had been given an opportunity to be heard with respect to the accuracy of the translation, and proceedings would thereafter be based upon the translated documents; and

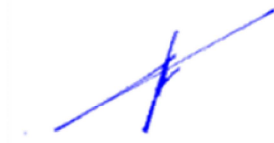
(e) in any bankruptcy proceedings initiated in Mexico pursuant to the laws of Mexico, labor claims, claims of tax authorities for unpaid taxes, social security quotas, workers' housing fund quotas and retirement fund quotas may have priority over claims of the parties with respect of collateral, as explained above.

This opinion is addressed to you, ISDA and FIA, solely for your benefit and that of your respective members, and it is not to be transferred to anyone else nor is it to be relied upon by anyone else or for any other purpose or quoted or referred to in any public documents or filed with anyone without our express consent. Without limiting the foregoing, ISDA and FIA, and their respective members, may provide a copy of this opinion to (i) any competent regulatory authority or supervisory body and (ii) their advisors; however, this opinion is not addressed to such regulatory authorities or advisors and may not be relied upon by them.

We express no opinion as to any laws other than the laws of Mexico applicable on the date hereof.

Best Regards

(Add)

A handwritten signature in blue ink, appearing to be 'Pablo Perezalonso', written over a light blue horizontal line.

Ritch, Mueller y Nicolau, S.C.
By: Pablo Perezalonso, a partner
~~Isabel Ortiz Monasterio, an associate~~

**Appendix A
September 2009**

Certain Counterparty Types³⁰²⁹

Description	Covered by opinion	Legal form(s) ³⁴³⁰
<p><u>Bank/Credit Institution.</u> A legal entity, which may be organized as a corporation, partnership or in some other form, that conducts commercial banking activities, that is, whose core business typically involves (a) taking deposits from private individuals and/or corporate entities and (b) making loans to private individual and/or corporate borrowers. This type of entity is sometimes referred to as a “commercial bank” or, if its business also includes investment banking and trading activities, a “universal bank”. (If the entity <u>only</u> conducts investment banking and trading activities, then it falls within the “Investment Firm/Broker Dealer” category below.) This type of entity is referred to as a “credit institution” in European Community (EC) legislation. This category may include specialized types of bank, such as a mortgage savings bank (provided that the relevant entity accepts deposits and makes loans), or such an entity may be considered in the local jurisdiction to constitute a separate category of legal entity (as in the case of a building society in the United Kingdom (UK)).</p>	Yes	<p>Bank would include Mexican Banks. A Mexican bank is a Mexican <i>sociedad anónima</i> organized pursuant to the Credit Institutions Law (<i>Ley de Instituciones de Crédito</i>³²³¹) authorized to act as a commercial bank (<i>institución de banca múltiple</i>) by the National Banking and Securities Commission (<i>Comisión Nacional Bancaria y de Valores</i>). Their name is always followed by the words <i>Sociedad Anónima</i> (or S.A.), <i>Institución de Banca Múltiple</i>. Does not cover development banks owned by the Mexican Government (<i>instituciones de banca de desarrollo</i>).</p>
<p><u>Central Bank.</u> A legal entity that performs the function of a central bank for a Sovereign</p>	Yes, however please note that the Central	The Mexican Central Bank is Banco de México.

³⁰²⁹ In these definitions, the term “legal entity” means an entity with legal personality other than a private individual.

³⁴³⁰ If appropriate, please indicate, as discussed in the instruction letter, any naming convention or rule that would help a reader of the opinion to identify and classify the entity.

³²³¹ Published in the Official Gazette on July 18, 1990 and amended several times.

Description	Covered by opinion	Legal form(s) ³³³⁰
or for an area of monetary union (as in the case of the European Central Bank in respect of the euro zone).	Bank is not subject to insolvency and therefore, the close-out netting rules in insolvency are not applicable.	
<u>Corporation.</u> A legal entity that is organized as a corporation or company rather than a partnership, is engaged in industrial and/or commercial activities and does not fall within one of the other categories in this Appendix A.	Yes	Corporations in Mexico would include any entity organized under General Corporations Law (<i>Ley General de Sociedades Mercantiles</i> ³³³²), which are <i>sociedades anónimas</i> or S.A., <i>sociedades anónimas de capital variable</i> or S.A. de C.V., <i>sociedades de responsabilidad limitada</i> or S. de R. L., <i>sociedades de responsabilidad limitada de capital variable</i> or S. de R. L. de C.V., <i>sociedades en comandita simple</i> and <i>sociedades en nombre colectivo</i>
<u>Hedge Fund/Proprietary Trader.</u> A legal entity, which may be organized as a corporation, partnership or in some other legal form, the principal business of which is to deal in and/or manage securities and/or other financial instruments and/or otherwise to carry on an investment business predominantly or exclusively as principal for its own account.	Yes, when organized in the form of a counterparty covered. herein	
Individuals acting as merchants.	Yes	
<u>Insurance Company.</u> A legal entity, which may be organised as a corporation, partnership or in some other legal form (for example, a friendly society or industrial & provident society in the UK), that is licensed to carry on insurance business, and is typically subject to a special regulatory regime and a special insolvency regime in order to protect the interests of policyholders.	Yes	Insurance Company includes Mexican insurance companies. A Mexican insurance company is a Mexican <i>sociedad anónima</i> organized pursuant to the <i>Ley de Instituciones de Seguros y Fianzas</i> ³⁴³³ (“ <u>Insurance Companies Law</u> ”) authorized to act as an insurance company by the Ministry of

³³³² Published in the Official Gazette on August 4, 1934 and amended several times.

³⁴³³ Published in the Official Gazette on April 4, 2013 and amended several times.

Description	Covered by opinion	Legal form(s) ³⁵³⁰
		Finance (<i>Secretaría de Hacienda y Crédito Público</i>). Their name is always followed by the words <i>Sociedad Anónima</i> (or S.A.)
<u>International Organization</u> . An organization of Sovereigns established by treaty entered into between the Sovereigns, including the International Bank for Reconstruction and Development (the World Bank), regional development banks and similar organizations established by treaty.	No	
<u>Investment Firm/Broker Dealer</u> . A legal entity, which may be organized as a corporation, partnership or in some other form, that does not conduct commercial banking activities but deals in and/or manages securities and/or other financial instruments as an agent for third parties. It may also conduct such activities as principal (but if it does so exclusively as principal, then it most likely falls within the “Hedge Fund/Proprietary Trader” category above.) Its business normally includes holding securities and/or other financial instruments for third parties and operating related cash accounts. This type of entity is referred to as a “broker-dealer” in US legislation and as an “investment firm” in EC legislation.	Yes	Investment Firm/Broker Dealer includes Mexican broker dealers. A Mexican broker dealer is a Mexican <i>sociedad anónima</i> organized pursuant to the Securities Market Law (<i>Ley del Mercado de Valores</i> ³⁵³⁴) authorized to act as a broker dealer by the National Banking and Securities Commission (<i>Comisión Nacional Bancaria y de Valores</i>). Their name is always followed by the words <i>Sociedad Anónima de Capital Variable</i> (or S.A. de C.V.) and the words <i>Casa de Bolsa</i>
<u>Investment Fund</u> . A legal entity or an arrangement without legal personality (for example, a common law trust) established to provide investors with a share in profits or income arising from property acquired, held, managed or disposed of by the manager(s) of the legal entity or arrangement or a right to payment determined by reference to such profits or income. This type of entity or arrangement is referred to as a “collective investment scheme” in EC legislation. It may be regulated or unregulated. It is typically administered by one or more persons (who	Yes	Investment Fund includes Mexican investment funds. A Mexican investment fund is a Mexican <i>sociedad anónima</i> organized pursuant to the Investment Funds Law (<i>Ley de Fondos de Inversión</i> ³⁶³⁵) authorized to act as an investment fund by the National Banking and Securities Commission (<i>Comisión Nacional Bancaria y de Valores</i>). Their name is always followed by the words <i>Sociedad Anónima de Capital</i>

³⁵³⁴ Published in the Official Gazette on December 30, 2005 and amended several times.

³⁶³⁵ Published in the Official Gazette on June 4, 2001 and amended several times.

Description	Covered by opinion	Legal form(s) ³⁷³⁰
<p>may be private individuals and/or corporate entities) who have various rights and obligations governed by general law and/or, typically in the case of regulated Investment Funds, financial services legislation. Where the arrangement does not have separate legal personality, one or more representatives of the Investment Fund (for example, a trustee of a unit trust) contract on behalf of the Investment Fund, are owed the rights and owe the obligations provided for in the contract and are entitled to be indemnified out of the assets comprised in the arrangement.</p>		<p><i>Variable</i> (or S.A. de C.V.) and the words <i>Fondo de Inversión</i></p>
<p><u>Local Authority.</u> A legal entity established to administer the functions of local government in a particular region within a Sovereign or State of a Federal Sovereign, for example, a city, county, borough or similar area.</p>	<p>Yes, however please note that Local Authorities are not subject to insolvency and therefore, the close-out netting rules in insolvency are not applicable.</p>	<p>Local Authorities would include the governments of states and municipalities. Please note that states and municipalities cannot enter into any transaction that may result in debt with any non-Mexican parties.</p>
<p><u>Partnership.</u> A legal entity or form of arrangement without legal personality that is (a) organised as a general, limited or some other form of partnership and (b) does not fall within one of the other categories in this Appendix A. If it does not have legal personality, it may nonetheless be treated as though it were a legal person for certain purposes (for example, for insolvency purposes) and not for other purposes (for example, tax or personal liability).</p>	<p>No</p>	

³⁷³⁶ Published in the Official Gazette on May 23, 1996 and amended several times.

Description	Covered by opinion	Legal form(s) ³⁷³⁰
<p><u>Pension Fund.</u> A legal entity or an arrangement without legal personality (for example, a common law trust) established to provide pension benefits to a specific class of beneficiaries, normally sponsored by an employer or group of employers. It is typically administered by one or more persons (who may be private individuals and/or corporate entities) who have various rights and obligations governed by pensions legislation. Where the arrangement does not have separate legal personality, one or more representatives of the Pension Fund (for example, a trustee of a pension scheme in the form of a common law trust) contract on behalf of the Pension Fund and are owed the rights and owe the obligations provided for in the contract and are entitled to be indemnified out of the assets comprised in the arrangement.</p>	<p>Yes</p>	<p>Pension Funds includes Mexican pension funds. A Mexican pension fund is a Mexican <i>sociedad anónima</i> organized pursuant to the Retirements Fund System Law (<i>Ley de los Sistemas de Ahorro para el Retiro</i>³⁷³⁶) authorized to act as a pension fund by the National Commission for the Retirement Fund System (<i>Comisión Nacional del Sistema de Ahorro para el Retiro</i>)</p>
<p><u>Public Trust.</u> Trusts created by a Sovereign, State of a Federal Sovereign or other governmental entities to perform specific duties aimed at aiding a Sovereign in particular areas of development, and managed by a technical committee.</p>	<p>Yes, however please note that Public Trusts are not subject to insolvency and therefore, the close-out netting rules in insolvency are not applicable.</p>	<p>Public Trusts would include the <i>Fondo de Apoyo a Estados y Municipios</i> (FOEAEM), <i>Fondo Especial de Asistencia Técnica y Garantía para Créditos Agropecuarios</i> (FEGA), <i>Fondo de Garantía y Fomento para la Agricultura</i> (FONDO), <i>Fondo Especial para Financiamientos Agropecuarios</i> (FEFA) and <i>Fondo de Garantía y Fomento para las Actividades Pesqueras</i> (FOPESCA).</p>
<p><u>Sovereign.</u> A sovereign nation state recognized internationally as such, typically acting through a direct agency or instrumentality of the central government without separate legal personality, for example, the ministry of finance, treasury or national debt office. This category does not include a State of a Federal Sovereign or</p>	<p>Yes, however please note that Sovereigns are not subject to insolvency and therefore, the close-out netting rules in insolvency are not applicable.</p>	<p>For example the Ministry of Finance (<i>Secretaría de Hacienda y Crédito Público</i>).</p>

³⁷³⁶ Published in the Official Gazette on May 23, 1996 and amended several times.

Description	Covered by opinion	Legal form(s) ³⁺³⁰
other political sub-division of a sovereign nation state if the sub-division has separate legal personality (for example, a Local Authority) and it does not include any legal entity owned by a sovereign nation state (see “Sovereign-owned Entity”).		
<u>Sovereign Wealth Fund.</u> A legal entity, often created by a special statute and normally wholly owned by a Sovereign, established to manage assets of or on behalf of the Sovereign, which may or may not hold those assets in its own name. Such an entity is often referred to as an “investment authority”. For certain Sovereigns, this function is performed by the Central Bank, however for purposes of this Appendix A the term “Sovereign Wealth Fund” excludes a Central Bank.	No	
<u>Sovereign-Owned Entity.</u> A legal entity wholly or majority-owned by a Sovereign, other than a Central Bank, or by a State of a Federal Sovereign, which may or may not benefit from any immunity enjoyed by the Sovereign or State of a Federal Sovereign from legal proceedings or execution against its assets. This category may include entities active entirely in the private sector without any specific public duties or public sector mission as well as statutory bodies with public duties (for example, a statutory body charged with regulatory responsibility over a sector of the domestic economy). This category does not include local governmental authorities (see “Local Authority”).	Yes, however please note that Sovereign-Owned Entities are not subject to insolvency and therefore, the close-out netting rules in insolvency are not applicable.	For example decentralized public entities and state productive entities such as <i>Petróleos Mexicanos (PEMEX)</i> , the <i>Comisión Federal de Electricidad</i> , etc.
<u>State of a Federal Sovereign.</u> The principal political sub-division of a federal Sovereign, such as Australia (for example, Queensland), Canada (for example, Ontario), Germany (for example, Nordrhein-Westfalen) or the United States of America (for example, Pennsylvania). This category does not include a Local Authority.	No	

Summary report:	
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Changes:	
<u>Add</u>	347
Delete	599
Move From	130
<u>Move To</u>	130
<u>Table Insert</u>	0
Table Delete	2
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	3
Embedded Excel	0
Format changes	0
Total Changes:	1211