



**CPSS-IOSCO  
PRINCIPLES FOR FINANCIAL MARKET INFRASTRUCTURES**

**Disclosure Framework Executive Summary**

**S.D. Indeval Institución para el Depósito de Valores,  
S.A. de C.V.**

**June 2023**

## Executive Summary

The current Disclosure Framework of S.D. Indeval Securities Depository Institution (hereinafter referred to as “Indeval” or “S.D. Indeval”), has the purpose of making available to the public a general description of the structure, services, relevant processes and Indeval’s legal framework. This is done in compliance with the Principles applicable to Financial Market Infrastructures (PFMIs).

Indeval mission is to act as a Securities Depository Institution, providing the centralized services for depository, safekeeping, administration, clearing, settlement and transfers of securities registered at the Securities National Register in favor of national and international financial entities and other persons who meet the requirements established by the authorities empowered for that purpose, through the general provisions. It also provides services for the depository, safekeeping, administration, clearing, settlement and transfers of securities and other services related to its responsibilities, for financial entities, national or international credit institutions or international securities depository institutions, as well as to receive these services from the corresponding entities, in line with the general provisions issued by the authority empowered for that purpose. The Central Securities Depository also offers value added services such as securities lending, collateral management, safekeeping and international securities settlement through International Central Securities Depositories and Global Custodians.

Indeval is part of the Mexican Stock Exchange Group (Grupo BMV) which is comprised by entities who collectively offer integrated services to facilitate the operation, clearing and settlement of the equities and derivatives market in Mexico.

Indeval is supervised by the Banking and Securities Commission (hereinafter referred to as CNBV) and the Mexican Central Bank. The legal framework under which Indeval carries out its activities, is made up of: the Securities Market Act (hereinafter referred to as “LMV”), the Payment System Act (hereinafter referred to as “LSP”), the Granting issued by the Ministry of Finance (hereinafter referred to as “SHCP”), the bylaws approved by the SHCP, the Internal Regulation and Operating Manuals, issued under the LMV fundamentals, with authorization of the Mexican Central Bank and the CNBV, the general provisions applicable to the Securities Depository Institutions issued by the CNBV, the general provisions issued by the SHCP which determine the minimum capital the stock exchanges, the Securities Depository Institutions and the Central Securities Counterparties must have, and the supplementary legislation, according to the Internal Regulation of Indeval. As a result, the activities performed by Indeval are founded on a solid legal basis which provides certainty that the activities and services offered, are outlined, defined, and contained in its legal framework.

Indeval's primary risks and key risk management mechanisms for each risk are the following:

Type of Risk	What is the exposure	Risk Management Mechanism
Operational Risk	<p>Operational risk is the risk caused by deficiencies in the information systems, the internal processes and by human errors, or disruptions caused by external events that result in the reduction, impairment or interruption of the services provided by Indeval.</p> <p>Operational Risk can result in reputational and legal consequences, damage the systemic environment and originate economic losses.</p> <p>Operational Risk is Indeval's main risk since services are mostly provided on an automated way which results on a high dependency on the infallible functioning of the systems. In addition, the operational personnel must conduct an accurate implementation and guarantee the correct interaction with other infrastructures.</p>	<p>Operational Risk is managed through the Operational Risk Management System documented in the Comprehensive Risk Framework (MIR- for its acronym in Spanish) considering the compliance of the policies and procedures for identifying, assessing, handling, monitoring and timely reporting.</p>
Legal Risk	<p>The risk of applying a law or regulation unexpectedly, may result in a loss. Legal risk includes, the risk of a loss as a consequence of a delay in the financial assets availability or the freezing of assets as a result of a legal procedure. In the cross-border level, as well as in certain local scenarios, it is possible that several legal frameworks are applied to a single transaction, service or participant.</p>	<p>This risk is managed through a solid legal framework.</p> <p>The Internal Rules and Operating Manuals are authorized by the CNBV and the Mexican Central Bank.</p> <p>Indeval has an internal policy for entering into an agreement to deliver its services to Participants and Issuers, as well as it has procedures for the international custody agreements.</p>

Type of Risk	What is the exposure	Risk Management Mechanism
<p>General Business Risk</p>	<p>General business risk is related to the management and operation of the Central Securities Depository and the Securities Settlement System. General business risk could result in the impairment of the financial condition resulting from an increase in expenses, a reduction in its income or other events that could lead to a disruption of the infrastructure as an ongoing business.</p>	<p>Indeval, as well as the rest of the entities part of the BMV Group, are well capitalized to be able to manage possible business contingencies.</p> <p>To mitigate General Business Risk, Indeval performs among other actions, the following:</p> <ol style="list-style-type: none"> <li>1. Tracking of Yearly Income, Expenses and Investment Budget approved by the Administration Committee.</li> <li>2. Tracking of Monthly Financial Statements and Income, Expenses and Cash Flow Budget objectives.</li> <li>3. Indeval has a capital reserve equal to six months of its current operating expenses.</li> </ol>

#### IV. Principle-by-principle summary narrative disclosure

This section should provide a summary narrative disclosure for each applicable principle with sufficient detail and context to enable a reader to understand the FMI's approach to observing the principle.

<b>Principle</b>	<b>1: Legal Basis</b>
<b>Text of the Principle</b>	<b><i>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</i></b>
<b>Summary Narrative</b>	<p>Indeval carries out its activities supported by the following legal framework: the LMV and LSP, both decreed by the Congress of the Union, the Concession, issued by the SHCP, the Statutes approved by the SHCP, the Internal Rules and Operating Manuals, issued based on the Mexican Laws (LMV by its acronym in Spanish), with the authorization of Banxico and CNBV, the General Provisions applicable to the Institutions for the Deposit of Securities, issued by the CNBV. Among other requirements, these General Provisions define the minimum capital for the stock exchanges, institutions for the deposit of securities and central counterparties of securities, issued by the SHCP and the supplementary legislation, as indicated in the Internal Rules.</p> <p>Consequently, the activities carried out by Indeval have a solid legal basis, which is fully supported within its legal framework which provides certainty that the activities and services it carries out are fully described and defined.</p> <p>Regarding the agreements that Indeval, as the Central Securities Depository has with international custodians to provide cross boarder services to its Depositors, these are reviewed and prepared considering the provisions of the LMV and the general provisions applicable to the Institutions for the Deposit of Securities, issued by the CNBV.</p> <p>Indeval has a Legal Opinion from an External Legal Counsel Office, to assess the level of compliance with Principle 1, which concluded that Indeval has a legal basis that provides certainty, and its legal framework is fully identifiable and enforceable.</p>

<b>Principle</b>	<b>2: Governance</b>
<b>Text of the Principle</b>	<p><b><i>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</i></b></p>
<b>Summary narrative</b>	<p>Article II of Indeval’s Bylaws establishes that Indeval’s mission is to act as an institution for the deposit of securities, providing the public a centralized service of deposit, custody, administration, clearing, settlement and transfer of securities referred to in the Title X of the LMV.</p> <p>Good governance mechanisms of the Board of Directors include and are not limited to the following:</p> <ul style="list-style-type: none"> <li>• For the election of its members, an equitable treatment is ensured for all shareholders, since their appointment is made by agreement of the shareholders at the Ordinary General Assembly.</li> <li>• The Board of Directors must have the participation of a representative of Banco de México, as well as a person representing the development banking institutions designated by the SHCP.</li> <li>• The bylaws state that the Board of Directors must meet at least 4 times during each fiscal year.</li> <li>• The structure of the Board of Directors must follow guidelines on the bylaws, such as: number of members, requirements, and impediments to be a director, obligation to have independent directors and the criteria to define their independence.</li> <li>• The bylaws state that the Board of Directors must have the support of collegiate bodies for the best performance of its functions.</li> <li>• Indeval has specific policies which includes mechanisms to prevent conflicts of interest of the members of the Board, as well as the process for periodic evaluation of the performance of the Board of Directors and its members, and the parameters and indicators of the evaluation.</li> </ul> <p>The LMV (article 276) and in the bylaws of Indeval (article twenty-seventh) state that the entity’s management is entrusted to the Board of Directors and the Chief Executive Officer in their respective areas of competence.</p> <p>In accordance with the General Law of Mercantile Companies, applicable in addition to the LMV and the bylaws, the Board of Directors must present Indeval’s annual performance reports to the Shareholders, including the Board of Directors’ performance as an accountability mechanism by the aforementioned corporate body.</p> <p>The internal control and risk management functions are performed under the Risk, Control and Continuity Department, which is independent from the CEO of Indeval and whose functions and access to resources are detailed in the Organization Manual.</p>

<b>Principle</b>	<b>3: Framework for the comprehensive management of risks</b>
<b>Text of the Principle</b>	<b><i>An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</i></b>
<b>Summary narrative</b>	<p>Indeval has a Comprehensive Risk Management Framework (MIR, acronym in Spanish) that compiles the processes, guidelines and procedures that allow the management of the FMI's risks.</p> <p>The objective of the Comprehensive Risk Management Framework is to offer an integrated and comprehensive perspective on Indeval's risks, including the risks it faces from its participants and from other entities, such as other FMIs, settlement banks, or service providers, as well as risks that may substantially affect its ability to operate or provide services. The MIR also considers operational risk management, establishing specific guidelines for its mitigation.</p> <p>Indeval, through the Interdependence and Interoperability Risk document, considers Indeval's interdependencies with FMIs such as Banco de México and the Counterparties, Asigna and CCV, as well as Participants with international systemic risk and International Custodians, among which are Euroclear Bank, Citibank NA, and other CSDs such as DECEVAL, DCV and CAVALI.</p> <p>It is worth mentioning that, as part of comprehensive risk management, Indeval prepared a first version of the Recovery and Resolution Plan by establishing an operating reserve equivalent to 6 months of operating expenses.</p>
<b>Principle</b>	<b>4: Credit Risk</b>
<b>Text of the Principle</b>	<b><i>An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions</i></b>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>5: Collateral</b>
<b>Text of the Principle</b>	<i>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</i>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>6: Margin</b>
<b>Text of the Principle</b>	<i>A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.</i>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>7: Liquidity Risk</b>
<b>Text of the Principle</b>	<i>An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.</i>
<b>Summary narrative</b>	Not applicable



<b>Principle</b>	<b>8: Settlement Finality</b>
<b>Text of the Principle</b>	<p><b><i>An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.</i></b></p>
<b>Summary narrative</b>	<p>Indeval has legal and operational certainty providing settlement finality. Settlement deadlines must always be met, as well as complying with specific rules allowing Participants to revoke instructions.</p> <p>Irrevocability is supported under the Mexican Law such as the LSP in Chapter II, article 11 that states that accepted, cleared and settled transfer orders and any other requirement that must be carried out to ensure compliance, will be considered firm, irrevocable, enforceable and enforceable against third parties.</p> <p>This rule is also reflected in article 5.09.00 of the “Operational Manual of Services for Compliance with Depositors' Obligations”.</p> <p>According to Indeval's “Operational Manual of Services for Compliance with Depositors' Obligations”, account transfers are made in real time throughout the day and instantly become final. The Manual stipulates that once Indeval has completed the settlement of the transactions and has credited and debited the corresponding account, it will notify its participants via its system and / or the network in which the settlement has been made. At that time, the instructions and settlements become final and irrevocable, in accordance with the LSP.</p> <p>All transactions are irrevocable at the time they match. If at the end of the operating day the Instructions are pending settlement, have been partially settled or were not complied with, Indeval will notify the parties involved as well as the authorities, who will monitor compliance with the obligations contracted given their irrevocable status.</p> <p>Indeval cannot accept a participant's request to lift the irrevocability of a transaction.</p>

<b>Principle</b>	<b>9: Money settlements</b>
<b>Text of the Principle</b>	<p><i>An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimize and strictly control the credit and liquidity risk arising from the use of commercial bank money.</i></p>
<b>Summary narrative</b>	<p>Indeval uses funds that the Participant maintains in the Central Bank for the settlement of their obligations.</p> <p>The money is received in the following way:</p> <ul style="list-style-type: none"> <li>• For all transactions related to the purchase and sale of securities, whether of money or capital market, the cash transfer is through the Central Bank because the cash accounts are in this Institution.</li> <li>• Each time a settlement cycle is run; the system validates the balances of the participants with the cash accounts that they have opened at the Central Bank. Funds are debited from their Accounts at the Central Bank for their intra-day liquidity needs and at the end of the settlement day the Central Bank is notified of the net settlement result, so participants cash accounts are credited with the remaining balance.</li> <li>• For income and cash distributions, the same model previously described is applied to issuers. Commercial Bank accounts are provided to issuers without Central Bank accounts, so they can fund cash distributions.</li> <li>• In Indeval, memorandum accounts are used for intraday settlement and can be funded by cash transfers through the SPEI and SIAC, the Central Bank's payment systems. Participants can also transfer funds from their memo accounts within DALI to any other account through the payment systems previously.</li> <li>• For transactions settling in Foreign Currency, Indeval maintains accounts with correspondent Banks and its Custodians to receive funds by currency in the system and distribute these to Participants for settlement of securities purchase and sale transactions, as well as cash distributions.</li> </ul> <p>Indeval's use of Commercial Banking is limited to the following:</p> <ol style="list-style-type: none"> <li>1. Cash handling related to cross-border operations and the custody of international securities (see Principle 16).</li> <li>2. Funding for the payment of subscriptions or capital calls for national securities.</li> <li>3. Funding to pay the foreign issues cash distributions in MXN.</li> </ol> <p>Indeval has a Policy to manage risks posed by Commercial Settlement Banks, which establishes the criteria and methodology for the selection of intermediaries, as well as the methodology for the analysis and determination of the financial, capitalization and credit status of each of the financial intermediaries that act as commercial settling banks.</p> <p>All transactions requiring cash settling in Indeval, are governed under the double-entry Principle of the Accounting Principles, so that each settled transaction is individually tracked by its unique assigned reference number.</p>

	<p>The Securities Settlement System provides each participant a cash account, which operates like a banking account. At the beginning of each business day, the funds are received from the Central Bank accounts of each participant. At the end of the day, the cash balances remaining in the Securities Settlement System are transferred back to the Central Bank accounts leaving the accounts in the securities settlement system in zero.</p> <p>Indeval does not grant lines of credit to its Participants and having sufficient funds to meet settlement obligations is the Participants' responsibility.</p>
--	---

<b>Principle</b>	<b>10: Physical deliveries</b>
<b>Text of the Principle</b>	<b><i>An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.</i></b>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>11: Central Securities Depositories</b>
<b>Text of the Principle</b>	<b><i>A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimize and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilized or dematerialized form for their transfer by book entry.</i></b>
<b>Summary narrative</b>	<p>For asset services, Indeval is governed primarily by the LMV, which imposes obligations on issuers and defines certain requirements for the Central Securities Depository for these services.</p> <p>Additionally, the Internal Rules and Operational Manuals clearly define the way in which the services are provided, applying the best practices and rules which include responsibilities for issuers and participants to meet scheduled payments for issues and other decisions taken at the general assemblies of the issues held.</p> <p>To guarantee the integrity of the securities under safekeeping, Indeval has created an account structure that allows identifying the Participant's own holdings segregated from their clients' assets and from other services engaged by the participants preventing any risk spillover.</p> <p>To ensure the adequate control of the assets under custody, Indeval runs daily reconciliation procedures between securities held in the vault against the systems records and holding in its participants' accounts.</p>

	Indeval does not allow overdrafts in Participants' accounts. The operating rules defines that any instruction that will cause an overdraft of cash or securities will remain under a pending status and sending status messages through the system to both parties of the transaction with reason code for the pending status.
--	--

<b>Principle</b>	<b>12 : Exchange-of-value settlement systems</b>
<b>Text of the Principle</b>	<b><i>If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other..</i></b>
<b>Summary narrative</b>	<p>Indeval's Delivery vs Payment (DvP) model combines securities netting and cash netting. As long as Participants have the securities and funds available the settlement optimization algorithm will settle the full or partial transaction. This model ensures that the exchange of value takes place eliminating principal risk for all transactions in equities, debt and government securities.</p> <p>All transactions executed on the Mexican Stock Exchanges must settle via the Mexican Central Securities Counterparty (CCV) which acts as the Central Counterparty. Fixed income and Government securities transactions may settle on a DvP or FOP (Free of payment) basis depending on the arrangement between the parties of the transaction.</p> <p>In the DvP the delivery of the securities from the seller to the buyer is subject to the corresponding payment. To implement the DvP, DALÍ offers its users cash and securities accounts that do not allow overdrafts.</p>

<b>Principle</b>	<b>13: Participant-default rules and procedures</b>
<b>Text of the Principle</b>	<b><i>An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.</i></b>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>14: Segregation and portability</b>
------------------	--

<b>Text of the Principle</b>	<b><i>A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.</i></b>
<b>Summary narrative</b>	Not applicable.

<b>Principle</b>	<b>15: General business risk</b>
<b>Text of the Principle</b>	<b><i>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</i></b>
<b>Summary narrative</b>	<p>Indeval's general business risk management is addressed within the "Policy for the management of general business risk", which establishes: a) Methodologies and mechanisms to identify and measure the sources of general business risk, including potential losses, b) Rules and procedures to monitor and manage general business risk, c) Policy to maintain liquid net assets financed through their net worth and d) the Estimate and Analysis of income and expenses considering conservative, optimistic and negative scenarios.</p> <p>Indeval maintains financial and administrative controls for an adequate control of income and expenses. Indeval's financial performance is monitored against short and medium term financial projections. The processes and tools available are: Annual Strategic Plan, Annual Budget, Monthly Comparative Financial Statements vs. Budget, Cash Flow and Regulatory Capital Compliance.</p> <p>The Financial Statements and the variations of results against the budget are presented quarterly to the Board of Directors.</p> <p>Indeval has an operating reserve, established with the objective of covering possible general business losses so that it can continue operating and providing critical services. Resources must be sufficient at all times to ensure both a recovery and an orderly cessation. Indeval's operating reserve is equivalent to 6 months of operating expenses.</p> <p>Indeval is in the process of developing a Recapitalization Plan.</p>

<b>Principle</b>	<b>16: Custody and investment risks</b>
<b>Text of the Principle</b>	<b><i>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</i></b>
<b>Summary narrative</b>	<p>Indeval may invest its surplus cash, in accordance with the general provisions applicable to institutions for the deposit of securities, issued by the CNBV.</p> <p>Chapter III, Article 29 of the "General provisions applicable to institutions for the deposit of securities" establish that:</p> <p>Institutions for the deposit of securities may invest their surplus cash in the following securities:</p> <ol style="list-style-type: none"> <li>a. Investments in securities issued or guaranteed by the United Mexican States, as well as those issued by the Mexican Central Bank with a maturity less than one year.</li> <li>b. Investments in bank deposits and debt securities issued by credit institutions that have a minimum AA rating, on a national scale, granted by a securities rating institution and with a maturity less than one year.</li> <li>c. Investments in shares of debt instrument investment funds with daily settlement.</li> </ol> <p>Indeval has Policies to select and monitor the financial institutions with whom it maintains its own investments minimizing the risk of loss and delays to access such assets.</p> <p>Custody risk on the Participants' assets held with custodian banks is addressed by the General Provisions Applicable to Depositories for Securities which require that entities which hold Participant assets must be regulated and supervised entities (Art. 14) among other requirements.</p> <p>Furthermore, Indeval has a Policy for the Analysis of Foreign Custody Risk which includes policies and procedures for: determining and selecting the custodian, service levels supervision and compliance and mitigation of concentration risk.</p>

<b>Principle</b>	<b>17: Operacional risk</b>
<b>Text of the Principle</b>	<p><b><i>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.</i></b></p>
<b>Summary narrative</b>	<p>Indeval has a Comprehensive Risk Framework (MIR) which defines the guidelines and procedures to identify, evaluate, control, monitor and report operational risks.</p> <p>The MIR defines a set of guidelines that allows correct management of operational risk. These guidelines include the identification, management and monitoring of risks, ensuring the correct execution of processes, physical security and information security, change management, definition of roles, supervision and audit, as well as systems stress tests to establish tolerance levels, guarantee a high degree of availability and address the risk of interoperability.</p> <p>The MIR defines roles and responsibilities for operational risk management including an operational strategy based on three lines of defense that ensures that all areas are engaged including senior management, the Audit Committee and the Board of Directors.</p> <p>The MIR establishes the following:</p> <ul style="list-style-type: none"> <li>• The Manual and Methodology of Risks and Controls of the BMV Group which is Indeval's parent entity, establishes different activities for risk assessment and management: documentation of end-to-end processes, risk identification, risk assessment (determination of inherent risk, evaluation of control and determination of residual risk), treatment of risk and events, monitoring, control and report.</li> <li>• The risk management result, known as the operational risk profile (event statistics, heat map, indicators and action plans), is reported to the Senior Management and Board of Directors, bodies that issue their feedback and action plans when facing critical events and risks; the rest of the events and risks are addressed by the Directors and personnel of the first and second line of defense.</li> <li>• The Regulatory Framework on Information Security that contains various security policies is: Institutional Information Security Policy, Information Security Management Standard, Information Asset Management Standard, Control and Logical Access Standard, Physical and Environmental Security Standard, Operations Security Standard, Communications Security Standard, Information Security Requirements Standard in Business Continuity Management, Information Security Compliance Standard and Analysis of Vulnerabilities and Penetration Testing.</li> </ul>

- To ensure the reliability of the systems and guarantee the continuity of the service, there is a Business Continuity Plan (BCP) and a Disaster Recovery Plan (DRP) in which the recovery time is defined for a maximum of one hour. Indeval carries out several exercises throughout the year to verify the correct functionality of the recovery procedures in disaster scenarios that interrupt the operation. At least once a year there is an industry wide BCP/DRP Test.
  - Indeval manages its Operational Risk through the management of technological and operational incidents, following up on the action plans in order to improve business performance and ensure the achievement of objectives, timely report and quantify risks. Also, operational risk indicators (KRIs) are defined to monitor risk exposure and rate the effectiveness of the control environment.
  - Indeval developed a comprehensive technological solution that allows to have a flexible Recovery scheme in case of disasters, eliminating the current dependency that forces a monolithic activation of DRP together with other companies of the BMV Group.
  - Indeval has Professional Civil Liability Insurance for errors or omissions by Indeval staff, with a Loyalty Bond and a Material Damage Policy.
-



<b>Principle</b>	<b>18: Access and participation requirements</b>
<b>Text of the Principle</b>	<b><i>An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.</i></b>
<b>Summary narrative</b>	<p>Indeval has general participant requirements applicable to all the services it provides defined in the Internal Regulations and Operating Manuals which are in accordance with its corporate purpose. All Participants have access to these services.</p> <p>Upon signing the contract of adherence to the Rules and Operational Manuals of Indeval, Participants have access to all the services provided and in the event that there is any limitation this is defined by the laws and regulations of each of the participants and their responsibility to follow.</p> <p>The requirements to become a participant are defined by Law and are coherent with the Internal Rules and Operating Manuals which determine the way in which the services are provided and establish the rights and obligations that govern the provision of the services. Also, recently, Indeval established a Technology Requirements Guide, Information Security and Operational Risk for Depositors. Participants must comply with these requirements to mitigate the risk that they may pose to the FMI. These additional requirements are under comment period/ approval stage with the Authority. In general they establish:</p> <ul style="list-style-type: none"> <li>• Procedures for evaluating communication protocols and dispensing with insecure protocols</li> <li>• Tools for the detection of computer viruses and malicious code</li> <li>• Management of computer vulnerabilities</li> <li>• Constant security updates</li> <li>• Immediate detection and containment of security incidents</li> <li>• Penetration tests by independent specialist</li> <li>• Monitor, audit and track system access</li> <li>• Restriction of physical connection ports and peripheral devices</li> <li>• Information encryption and logical access controls</li> <li>• Identification, management and monitoring of risks</li> <li>• Business continuity plan</li> </ul> <p>Indeval has a team of lawyers specialized in reviewing requirements to become participants.</p> <p>The Internal Rules and the adhesion contract executed with Depositors, include a termination clause which defines that the relationship may be terminated for breach of the duties contained within the rules and operation manuals and if applicable the contracting parties may terminate the services upon written communication addressed to the other party 30 days in advance of the termination date.</p>

<b>Principle</b>	<b>19: Tiered participation arrangements</b>
<b>Text of the Principle</b>	<b><i>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</i></b>
<b>Summary narrative</b>	Not applicable

<b>Principle</b>	<b>20: FMI Links</b>
<b>Text of the Principle</b>	<b>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.</b>
<b>Summary narrative</b>	<p>Indeval identifies, monitors and manages the risks related to links with other FMIs, based on the document Risk of Interdependence and Interoperability, an annex to the Comprehensive Risk Framework. The objective of this annex is to identify and establish the direct and indirect effects that other entities have on the Central Securities Depository and on their ability to process and settle transactions under a business as usual basis, to manage the risks arising from any operational failure with or in such FMIs and ensure that their risk management processes are effective. Once the risks have been identified, the objective is to control and manage the risks that Indeval faces and poses.</p> <p>The document on Risk of Interdependence and Interoperability identifies entities within critical processes in which there is some type of risk of interdependence, which are grouped into Infrastructures (FMIs), Participants with international systemic risk, Suppliers of technology and information services, peripheral modules to DALÍ and International Custodians.</p> <p>The legal framework that supports Indeval's links with other FMIs is based on contracts. For international links, Indeval signs the rules and contracts established by the relevant FMI. Local FMI interoperability risk was included as the SPEI-DALI risk analysis, measurement and mitigation.</p> <p>Before establishing a link, Indeval ensures that there are legal foundations that support such arrangement and provide an appropriate protection in all the relevant jurisdictions.</p> <p>Indeval has mechanisms that allow the having a sound processing across the links and monitors the risks that may arises. Indeval carries out periodic assessments to measure the processing capacity for both the current maximum volumes as well as for the maximum volumes projected for future.</p>

<b>Principle</b>	<b>21: Efficiency and effectiveness</b>
<b>Text of the Principle</b>	<b><i>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</i></b>

**Summary  
narrative**

Indeval has a Strategic Plan defined in line with the Mission, Vision and Strategic Objectives of both the BMV Group, Indeval's Parent entity and its own as the Central Securities Depository.

The following elements are considered to develop the Strategic Plan:

- Guidelines and strategic axes of the BMV Group.
- Defined strategy for the Division.
- Requirements from participants in terms of service levels.
- Requirements defined by the relevant authorities.
- International standards in the subject matter, like the PFMI's among others.
- New business lines.

Indeval's objectives and goals are defined in the Strategic Plan and the goals are established and quantified against the Income, Expenses and Investments Budget that is prepared based on the Budget Control Policy.

The efficiency and effectiveness in the administration of Indeval is evaluated through the following tools:

1. Annual service qualification survey.
2. Report of deviations against Budget.
3. Mid-term management performance objectives reviews
4. Comparative analysis with CSDs in other countries.

On the other hand, in the reviews prior to the Board of Directors, the risks inherent to the management and operation are monitored, identifying, where appropriate, the potential deterioration due to a decrease in the income or a growth of the expenses, which could result in a patrimonial loss.

To assess whether Indeval meets the requirements and needs of its participants and other users, it participates in committees of the Mexican Association of Stock Market Institutions (AMIB) and the Association of Banks of Mexico (ABM).

Indeval sends client satisfaction surveys annually, which also help Indeval identify the participant needs.

<i>Principle</i>	<b>22: Communication procedures and standards</b>
<i>Text of the Principle</i>	<b><i>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</i></b>
	<p>Indeval's Financial Protocol (PFI) is a communication channel between Indeval and its participants, which was developed in response to complying with international standards which improve interoperability across all entities and help reduce instruction processing complexity.</p> <p>The PFI is based on the ISO 15022 standard and allows participants to access the securities administration services, of pre-settlement, clearing and settlement. This allows instructions to flow STP (<i>Straight-Through-Processing</i>) without manual intervention. Participants receive report and confirmation on their instructions' status.</p> <p>This model:</p> <ul style="list-style-type: none"> <li>a) Increases the transactions' security by the authentication of signatures and the use of certificates to access the system and create instructions.</li> <li>b) Delivers efficiently financial messaging.</li> <li>c) Uses widely industry-used ISO 15022 standard.</li> </ul>
<i>Principle</i>	<b>23: Disclosure of rules, key procedures, and market data</b>
<i>Text of the Principle</i>	<b><i>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</i></b>
<i>Summary narrative</i>	<p>Indeval provides the participants its Internal Rules and Operational Manuals which explain the rules, procedures and risks management mechanisms regarding the services offered. It also includes relevant information for participants and the functions of its areas.</p> <p>Indeval provides its Participants queries and statistical reports that enable them view their transaction status through the Dali system. Likewise, fees, discounts and collection procedures are posted on its website <a href="https://www.indeval.com.mx">https://www.indeval.com.mx</a>.</p> <p>Indeval publishes its guides and user manuals for Asset Services, Custody and Foreign Custodians.</p> <p>Indeval also publishes its "Disclosure Framework for Financial Market Infrastructures, which details the FMIs Model, compliance with PFMI, and plans to address any issues</p>

	that may have areas of improvement, also it describes policies and frequency of the information's disclosure included in this Disclosure Framework.
--	---

<b>Principle</b>	<b>24: Disclosure of market data by trade repositories</b>
<b>Text of the Principle</b>	<b><i>A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.</i></b>
<b>Summary narrative</b>	Not applicable

#### V. List of available public information sources

<https://www.indeval.com.mx/>

Information available at Indeval's Website	
	Indeval Bylaws
	Indeval's Internal Rules
	Operational Manual for Depository, Custody, Asset Services and other Services
	Operational Manual for Communication, Infrastructure and Security.
	Operational Manual for Services for Compliance of Depositors' Responsibilities.
	Operational Manual for Securities Lending.
	Operational Manual for the Service of Management and Valuation of Collateralized Repurchase Agreement's Operations.
	Manual for the International Operation
	Fees