ARTICLE 38(6) CSDR PARTICIPANT DISCLOSURE

1. Introduction

The purpose of this document is to disclose the levels of protection associated with the different levels of segregation that Banco Nacional de México, S.A., integrante del Grupo Financiero Banamex (***we***), provides in respect of securities that we hold directly for clients with Central Securities Depositories within the EEA (***CSDs***), including a description of the main legal implications of the respective levels of segregation offered and information on the insolvency law applicable. This disclosure is required under Article 38(6) of the Central Securities Depositories Regulation (***CSDR***) in relation to CSDs in the EEA.

Under CSDR, the CSDs of which we are a direct participant (see glossary) have their own disclosure obligations and we include links to those disclosures in this document.

This document is not intended to constitute legal or other advice and should not be relied upon as such. Clients should seek their own legal advice if they require any guidance on the matters discussed in this document.

2. Background

We record each client's individual entitlement to securities that we hold for that client in one or more client securities accounts established and maintained for such client in our own books and records pursuant to the terms of the custodial services agreement between the client and us. We also open accounts with the CSDs in which we hold clients' securities. We currently make two types of accounts with the CSDs available to clients: Individual Client Segregated Accounts (***ISAs***) and Omnibus Client Segregated Accounts (***OSAs***).

An ISA is used by us to hold the securities of a single client and therefore the client's securities are held by us in a CSD account which is separate from accounts used to hold the securities of other clients and our own proprietary securities.

An OSA is used by us to hold the securities of a number of clients on a collective basis. However, we do not hold our own proprietary securities in OSAs.

3. Main legal implications of levels of segregation

Insolvency

Clients' legal entitlement to the securities that we hold for them directly with the CSDs would not be affected by our insolvency, whether those securities were held in ISAs or OSAs.

The distribution of the securities in practice on an insolvency would depend on a number of factors, the most relevant of which are discussed below.

Application of Mexican insolvency law

Were we to become insolvent, our insolvency proceedings would take place in Mexico and be governed by Mexican insolvency law.

Under Mexican law, securities that we held on behalf of clients would not form part of our estate on insolvency for distribution to creditors, subject to any security interest we may have and provided that they remained the property of the clients. Rather, in the case of a *resolución* (insolvency proceedings that are special and applicable only to Mexican banks), securities would either (i) be transferred to another financial institution selected by the liquidator (*liquidador*), as an action taken prior to our liquidation, or (ii) separated and transferred to clients so electing, if we are in the process of judicial liquidation.

As a result, in the stage identified in (i) above, it would not be necessary for clients to make a claim in our insolvency and the financial institution recipient of the client's assets would be required to notify each client that it has received such client's assets, within thirty (30) days of receipt. In the stage identified in (ii) above, each relevant client would need to initiate an action for separation before the applicable Mexican federal judge, which would be required to decide in respect of the separation.

Accordingly, where we hold securities in custody for clients and those securities are considered the property of those clients rather than our own property, they should be protected on our insolvency or resolution. This applies whether the securities are held in an OSA or an ISA.

Nature of clients' interests

Although our clients' securities are recorded in our name at the relevant CSD, we hold them on behalf of our clients, who would be considered as a matter of Mexican law to have a proprietary interest in those securities. This is in addition to any contractual right a client may have against us to have the securities delivered to them.

This applies both in the case of ISAs and OSAs. However, the nature of clients' interests in ISAs and OSAs is different. In relation to an ISA, each client is beneficially entitled to all of the securities held in the ISA attributable to that client. In the case of an OSA, as the securities are held collectively in a single account, each client is considered to have a beneficial interest in the relevant underlying securities, to the extent that (i) the relevant securities are identifiable in the records and account statements we send to clients, and (ii) such securities are, as a matter of fact, maintained in the OSA and may be segregated.

Our books and records constitute evidence of our clients' beneficial interests in the securities. The ability to rely on such evidence would be particularly important on our insolvency and in the case of an OSA, since no records of individual clients' entitlements would be held by the relevant CSD.

We are subject to the client asset rules in Mexico (***Client Asset Rules***), which contain detailed requirements as to the maintenance of accurate books and records and the reconciliation of our records against those of the CSDs with which accounts are held. We are also subject to regular audits in respect of our compliance with those rules. Subject to the maintenance of books and records in accordance with the Client Asset Rules, clients should receive the same level of regulatory protection from both ISAs and OSAs.

Shortfalls

If there were a shortfall between the number of securities that we are obliged to deliver to clients and the number of securities that we hold on their behalf in either an ISA or an OSA, this could result in fewer securities than clients are entitled to being returned to them on our insolvency. The way in which a shortfall could arise would be different as between ISAs and OSAs (see further below).

How a shortfall may arise

We do not permit clients to make use of or borrow securities belonging to other clients for intra-day settlement purposes, even where the securities are held in an OSA, in order to reduce the chances of a shortfall arising as a result of the relevant client failing to meet its obligation to reimburse the OSA for the securities used or borrowed.

Where we have been requested to settle a transaction for a client and that client has insufficient securities held with us to carry out that settlement, in the case of both an ISA and an OSA, we only carry out the settlement once the client has delivered to us the securities needed to meet the settlement obligation.

However, a shortfall could arise as a result of inadvertent administrative error or operational issues.

Nothing in this paragraph should be construed to override any obligation that the client owes us in respect of any irrevocable payment or delivery obligations (as these terms are defined in the custodial services agreement which we have in place with the client as amended or supplemented from time to time) which we incur in settling that client's trades.

Treatment of a shortfall

In the case of an ISA, the whole of any shortfall on the relevant account would be attributable to the client for whom the account is held and would not be shared with other clients for whom we hold securities. Similarly, the client would not be exposed to a shortfall on an account held for another client or clients.

In the case of an OSA, the shortfall would be shared among the clients with an interest in the OSA. **Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client.**

To mitigate this risk, we seek to maintain strict records of securities maintained in the OSA (and who is the beneficiary of such securities), to ensure that transactions are settled solely with underlying assets maintained for the relevant client.

If a shortfall arose for which we are liable to the client, the client may have a claim against us for any loss suffered. If we were to become insolvent prior to covering a shortfall as required by the Client Asset Rules, the relevant client would have an unsecured claim against us, which would be satisfied, pro-rata, together with the claims of other unsecured creditors, with the proceeds of the sale of available assets, if any. Clients would therefore be exposed to the risks of our insolvency, including the risk that they may not be able to recover all or part of any amounts claimed.

In these circumstances, clients could be exposed to the risk of loss on our insolvency. If securities were held in an ISA, the entire loss (equal to the shortfall) would be borne by the client for whom the relevant account was held. If securities were held in an OSA, each of the clients not being able to fully identify and recover their securities, would bear a loss equal to the amount of the shortfall attributable to their missing, and not identifiable, securities.

In order to calculate clients' shortfall in respect of an OSA, each client's entitlement to securities held within that account would need to be established as a matter of law and fact based on our books and records. Any shortfall in a particular security held in an OSA would then be allocated among all clients with an interest in that security in the account who were unable to identify and segregate their own securities. It is likely that this allocation would be made rateably between clients with an interest in that security in the OSA. It may therefore be a time consuming process to confirm each client's entitlement. This could give rise to delays in returning securities and uncertainty for a client as to its actual entitlement on an insolvency.

Security interests

Security interest granted to a third party other than a CSD

Security interests granted over clients' securities (which for the avoidance of doubt must always be granted in accordance with the terms of the custodial services agreement and/or additional contractual agreements that we have in place with them) could have a different impact in the case of ISAs and OSAs.

Where the client purports to grant a security interest over its interest in securities held by us which we hold in an OSA and the security interest was asserted against the CSD with which the account was held, there could be a delay in the return of securities from that account to all clients holding securities in the relevant account. However, in practice, we would expect that the beneficiary of a security interest over a client's securities would perfect its security by notifying us rather than the CSD and would seek to enforce the security against us rather than against the CSD, with which it had no relationship. We would also expect the CSDs to refuse to recognise a claim asserted by anyone other than ourselves as account holder.

Security interest granted to CSD

Whether or not the CSD may benefit from a security interest will be regulated by the CSD's own rules. Such rules may also regulate the CSD's approach to enforcement of such security interest. Should the CSD benefit from a security interest over securities held for a client, there could be a delay in the return of securities to a client (and a possible shortfall) in the event that we failed to satisfy our obligations to the CSD and the security interest was enforced. This applies whether the securities are held in an ISA or an OSA. However, in practice, we would expect that a CSD would first seek recourse to any securities held in our own proprietary accounts to satisfy our obligations and only then make use of securities in client accounts. We would also expect a CSD to enforce its security rateably across client accounts held with it.

As a matter of Mexican law, we cannot grant a security interest over securities held in a client account, unless disclosed to, and accepted by, the client.

Corporate actions

Where securities are held in an ISA and the client is entitled to a fractional entitlement on a corporate action, it is possible that the client would not in practice benefit from that fractional entitlement. However, where securities are held in an OSA, fractional entitlements may be received on an aggregated basis and therefore it is more likely that the clients may be able to benefit from some or all of those fractional entitlements.

Our insolvency may also have an impact on our ability to collect any entitlements, such as dividends, due on clients' securities held in an ISA or OSA or exercise any voting rights in respect of those securities.

4. CSD disclosures

Set out below is the link to the CSD website in which we are a participant. The below link will contain the CSD disclosure once published by the CSD:

www.clearstream.com

These disclosures have been provided by the relevant CSDs. We have not investigated or performed due diligence on the disclosures and clients rely on the CSD disclosures at their own risk.

GLOSSARY

Central Securities Depository or ***CSD*** means an entity which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities.

Central Securities Depositories Regulation or ***CSDR*** refers to EU Regulation 909/2014 which sets out rules applicable to CSDs and their participants.

direct participant means an entity that holds securities in an account with a CSD and is responsible for settling transactions in securities that take place within a CSD. A direct participant should be distinguished from an indirect participant, which is an entity, such as a global custodian, which appoints a direct participant to hold securities for it with a CSD.

EEA means the European Economic Area.

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