

June 22<sup>nd</sup>, 2016.

Dear Sir / Madam,

We are Compliance Global Banking and Markets of Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (a Mexican Bank).

We are writing to you in attendance of the Press Release on the 9<sup>th</sup> of June related with the U.S. CFTC's proposal to addition IRS for Clearing Requirement, which was published and identified with the following: Federal Register, Vol. 81, No. 116, Thursday, June 16, 2016. Part VI. 17 CFR Part 50 "Clearing Requirement Determination Under Section 2(h) of the CEA for Interest Rate Swaps; Proposed Rule" (the "Proposed Rule") and also, in order to comply with the comments that we had been requested before publishing this Proposed Rule.

In order to be as clear as possible and to make it easier to you, our comments below will follow the same order as the Proposed Rule and will attend specifically the topics that we are going to be related with.

1.- On page number 8, at the moment of summarizing the relevant interest rate swaps submitted by CME, Eurex, LCH, and SGX in Table 1, we would like to inform you for your consideration that:

- It might have been requested by the Chicago Mercantile Exchange, Inc. (CME) and the LCH.Clearnet Ltd. (LCH) the general floating rate index as TIIE, but we would like to clarify that the one which is required to use in Mexico as a floating rate index is **TIIE 28**, so, if you would like to be consistent and standardize requirements, we would suggest respectfully to clarify the index in order to mitigate any kind of misunderstanding.
- It might have been requested by the CME and the LCH the maximum stated termination date of 21 years, but in Mexico you are allowed to use as a maximum stated termination of 30 years, so, if you would like to be consistent and standardize requirements, we would suggest respectfully to determine the same parameters.

2.- On page number 17, at the moment of proposing to require the interest rate swaps with the specifications shown in Table 16 be cleared, we would like to highlight and to comment the following particularities for your consideration:

<u>Specification</u>	<b>Fixed-to-Floating Swap Class (Please find our comments below)</b>	
1. Currency	<u>Mexican Peso (MXN)</u>	OK
2. Floating Rate Indexes	<u>TIIE</u>	We suggest to clarify the index: <b>TIIE 28</b>
3. Stated Termination Date Range	<u>28 days to 21 years</u>	In accordance with the regulation 4/2012 and considering all its amendments the stated termination date range should be <b>56 days to 30 years</b> .

4. Optionality	<u>No</u>	In accordance with the regulation 4/2012 and considering all its amendments there is an exception for being mandatory cleared at the Clearing House when the counterparty of the Entities has a low net exposure.
5. Dual Currencies	<u>No</u>	OK
6. Conditional Notional Amounts	<u>No</u>	There is no conditional notional amounts by the regulation, but if the transaction is or might be cleared at the Mexican Clearing House (The trust could be identified or referred as Fideicomiso F/30,430 Asigna, Compensación y Liquidación), it is necessary to considerate trades in multiples of \$100,000 MXN.

If you were to consider this comment and to make changes on the Proposed Rule, we would suggest to do it extensive on page number 31, PART 50 – CLEARING REQUIREMENT AND RELATED RULES, when you are specifying the Classes of Swaps required to be cleared, as well.

3.- The last but not the least comments of ours are going to be related with the proposed scenarios (on page number 22). In both scenarios, we would have to comply 60 days after publication of the final rule in the Federal Register, but we would like you to notice the following:

- As you well know and you did mention it at the beginning of the Proposed Rule on page number 4 in Mexico we have got a dual period to comply with the regulation. We have started to comply the clearing requirement, because it became effective for certain Mexican counterparties on April 1<sup>st</sup>, 2016, on the other hand, the clearing requirement will commence for certain non-Mexican counterparties during the second half of 2016 (It will have become mandatory for all counterparties by November 16<sup>th</sup>, 2016), so, if you would like to be consistent with the dates to become mandatory cleared either at the CME or the LCH (considering that LCH would have had the authorization for that), have you considered this dual date for both scenarios and the 60 days to comply?
- Considering that in both scenarios we have to comply 60 days after the publication of the final rule in the Federal Register, we would like to know and/or if we may suggest, could you please determine and clarify for everybody if this requirements to be cleared the fixed-to floating interest rate swaps denominated in the nine additional currencies will be necessary to be cleared in a CCP: a) from the time that they become obligatory to the future (meaning just the newest trades); or b) for all trades, in this case the back loading would be also necessary to comply.
- Finally, we would like to know and/or if we may suggest, could you please determine and clarify for everybody if those 60 days after publication of the final rule in the Federal Register are going to be business days or natural days.

Thank you for allowing us to comment the Proposed Rule.

If you were to require further details about this topic, please do not hesitate to contact us:

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Yours faithfully,