

# Government Securities

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## TECHNICAL DESCRIPTION

*Last update: April 5<sup>th</sup>, 2024*



GOBIERNO DE  
**MÉXICO**

**HACIENDA**  
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

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# MEXICO'S BOND MARKET

- **Mexico has one of the most-developed bond markets in Latin America**, with an outstanding domestic debt securities amounting to USD 873.5 billion, only behind Brazil. <sup>1/</sup>

## **Mexico's innovative instruments and debt management have been recognized internationally:**

- ▶ In January 2024, Mexico was awarded by LatinFinance as sovereign issuer of 2023. <sup>2/</sup>
- ▶ In November 2023, Mexico won the Bonds, Loans and ESG Capital Markets Latin America & Caribbean awards 2023 for Sovereign, Supra & Agency Treasury & Funding Team of the Year. <sup>3/</sup>
- ▶ In May 2023, The Banker awards Mexico in the category “Bonds: Sovereign, Supranational and Agencies” for the inaugural issuance of a sustainable bond denominated in dollars. <sup>4/</sup>
- ▶ In April 2023,
  - ▶ Environmental Finance awards Mexican Bondes G in the category: “Sustainability sovereign bond of the year 2022. This was the first sovereign bond issued in pesos aligned with ESG criteria. <sup>5/</sup>
  - ▶ Mexico wins Largest Sovereign Social and Sustainability Bond at the 8<sup>th</sup> Climate Bonds Awards by the Climate Bonds Initiative. <sup>6/</sup>
- ▶ Moody's assigned an SQS1 sustainability quality score (excellent) to the Government of Mexico's SDG Sovereign Bond Framework. <sup>7/</sup>

<sup>1/</sup> As of the second quarter of 2023 [BIS Debt Securities statistics](#).

<sup>2/</sup> [Sovereign Issuer of the Year - LatinFinance](#)

<sup>3/</sup> [BONDS, LOANS & ESG CAPITAL MARKETS LATIN AMERICA & CARIBBEAN AWARDS 2023 28TH NOVEMBER | THE... | GFC Media Group \(bondsloans.com\)](#)

<sup>4/</sup> [Announcement No. 32](#).

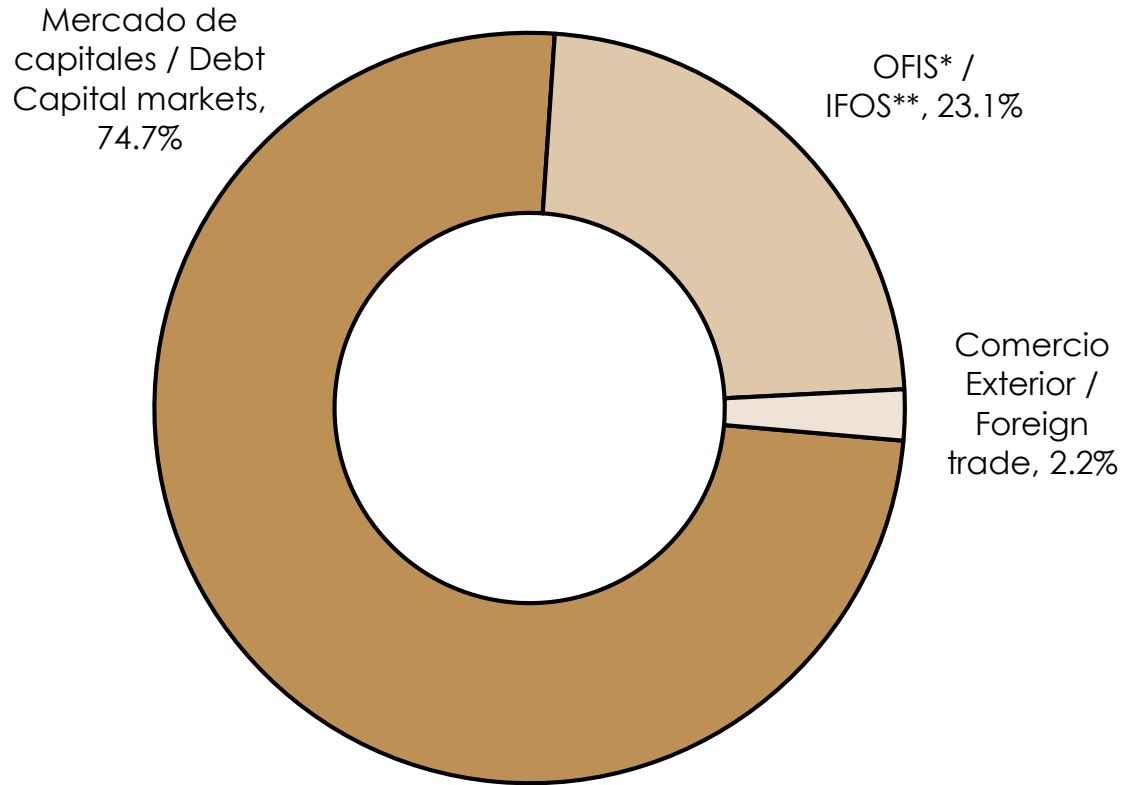
<sup>5/</sup> [Environmental Finance Bond Awards 2022](#).

<sup>6/</sup> [Announcement No. 24](#).

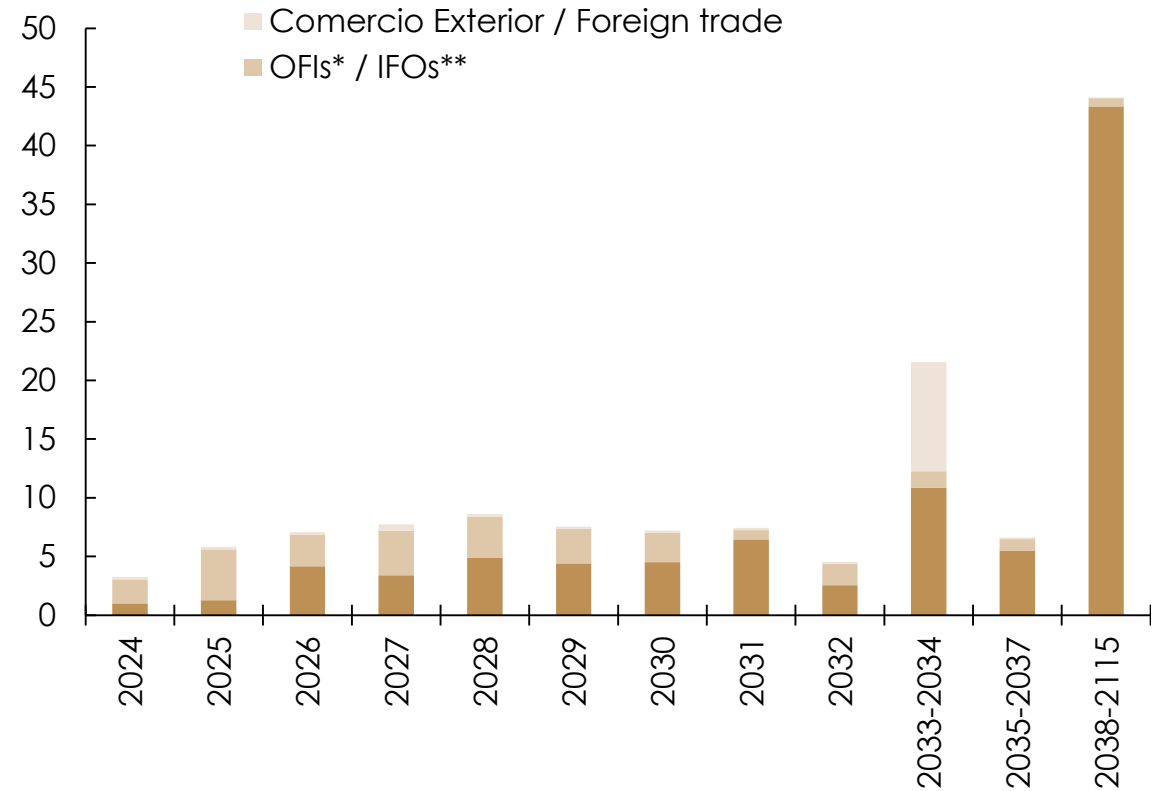
<sup>7/</sup> [Moody's Investors Service](#).

# OVERVIEW: FEDERAL DOMESTIC DEBT

**External Debt Distribution**  
% Total



**Maturity Profile**  
Billion USD



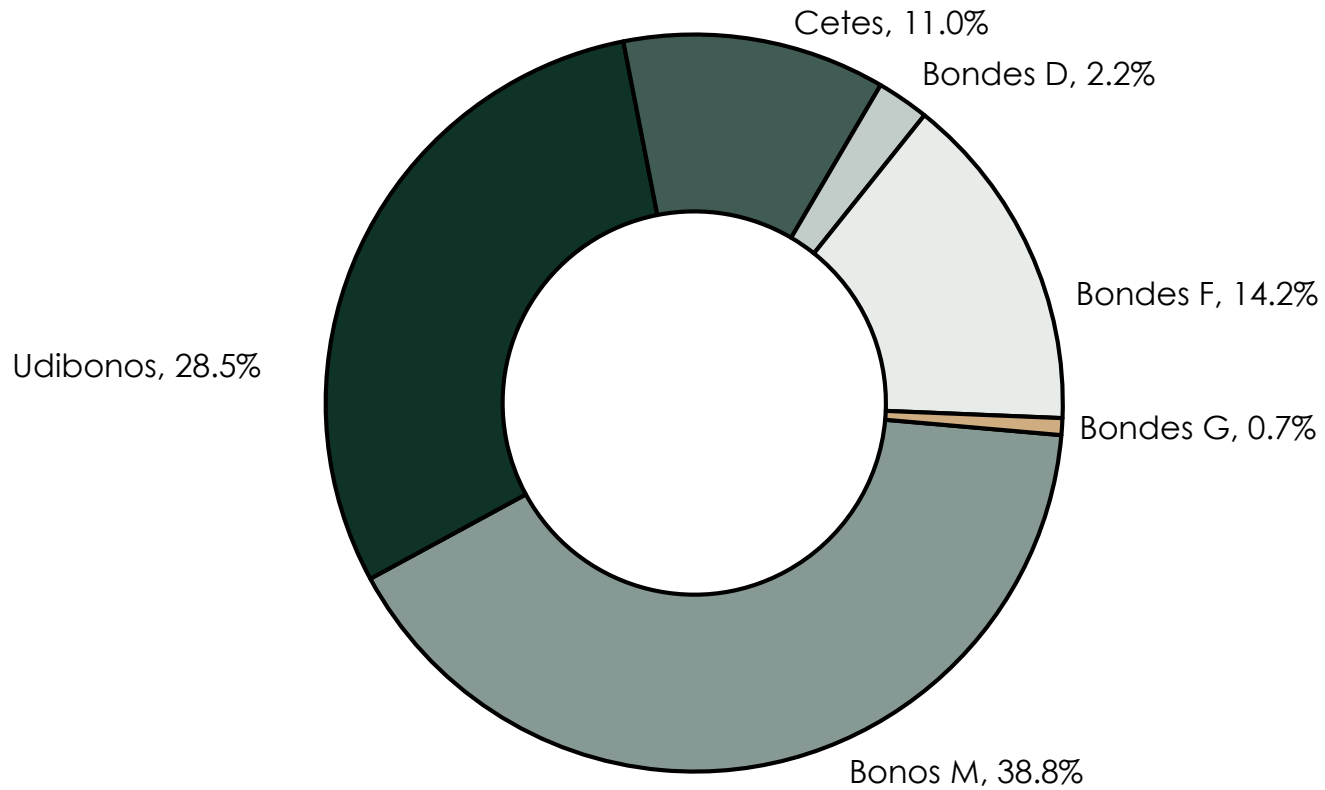
Note: Data as of December 2023. \* International Financial Organizations (OFIS, by its Spanish acronym),\*\* Ordinary Fiscal Income, (IFOS, by its Spanish acronym).  
Source: Ministry of Finance.

Note: Data as of December 2023. \* International Financial Organizations (OFIS, by its Spanish acronym),\*\* Ordinary Fiscal Income, (IFOS, by its Spanish acronym).  
Source: Ministry of Finance.

# OVERVIEW: FEDERAL DOMESTIC DEBT

## Domestic Debt Distribution

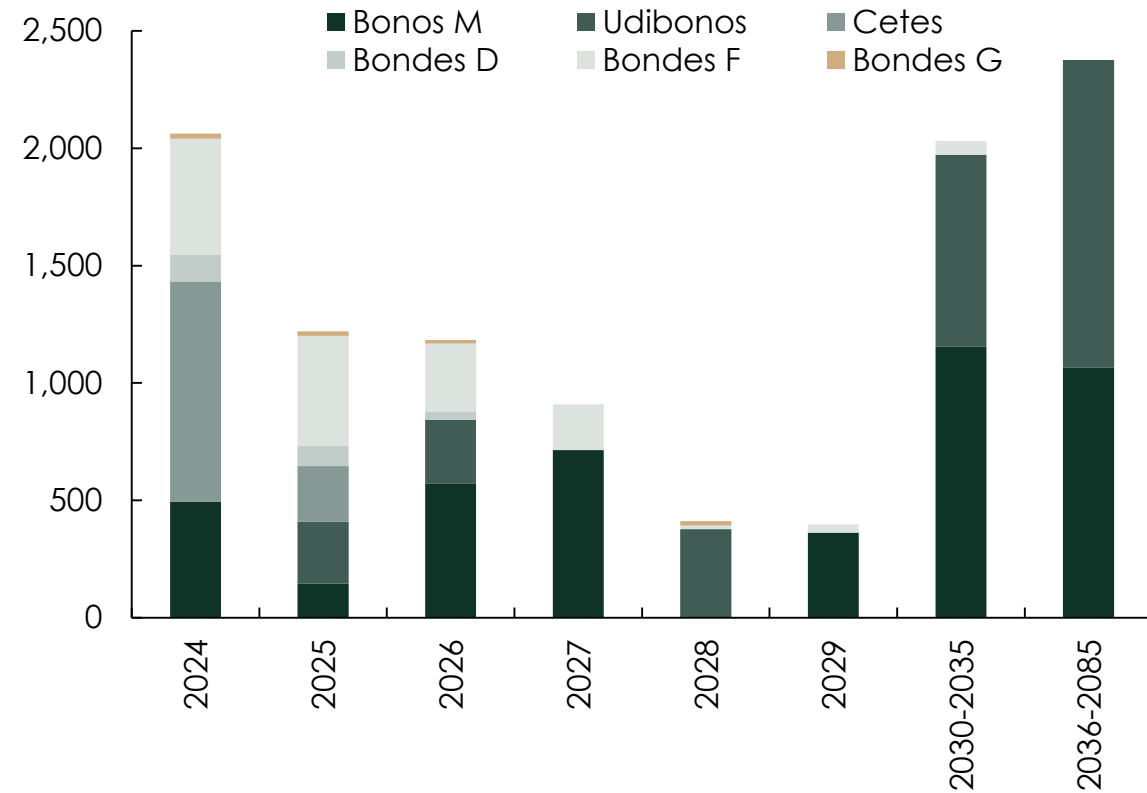
% Total



Note: Data as of December 2023.  
Source: Ministry of Finance.

## Maturity Profile

Billion USD

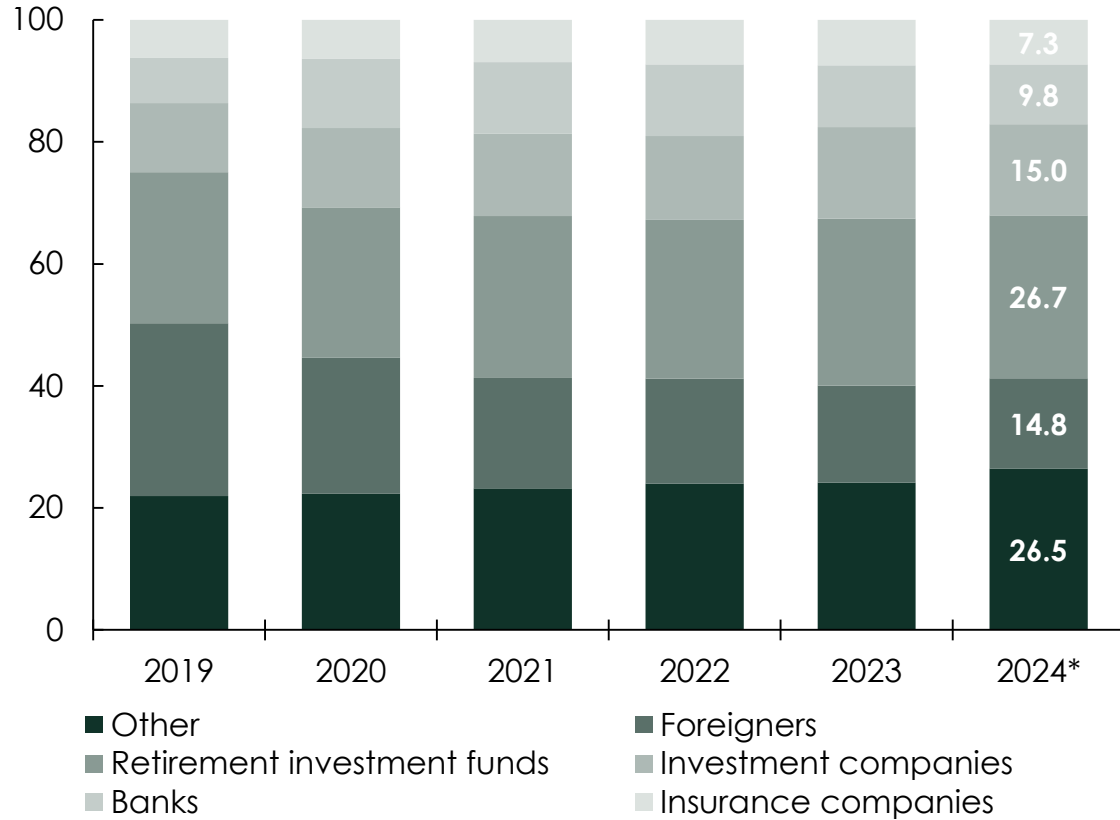


Note: Data as of December 2023.  
Source: Ministry of Finance.

# OVERVIEW: HOLDING OF SECURITIES

## Securities Holdings by Sector

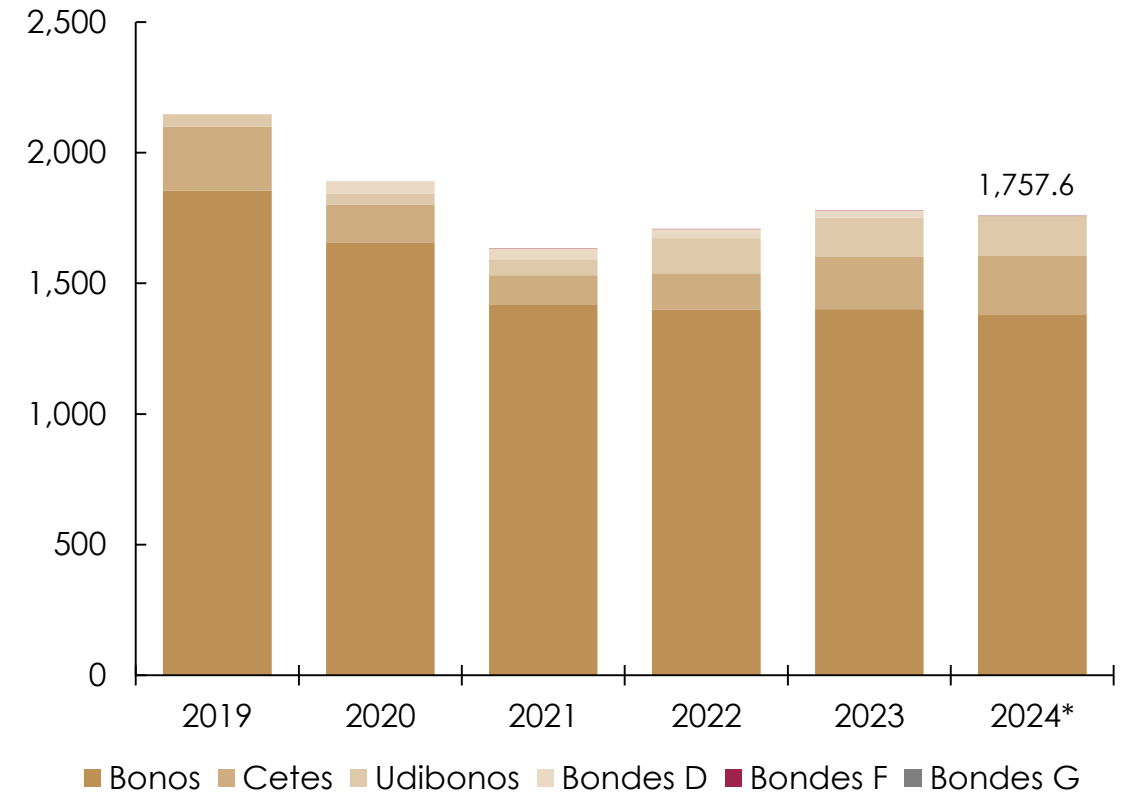
%



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## Non-Residents' Holdings of Government Bonds

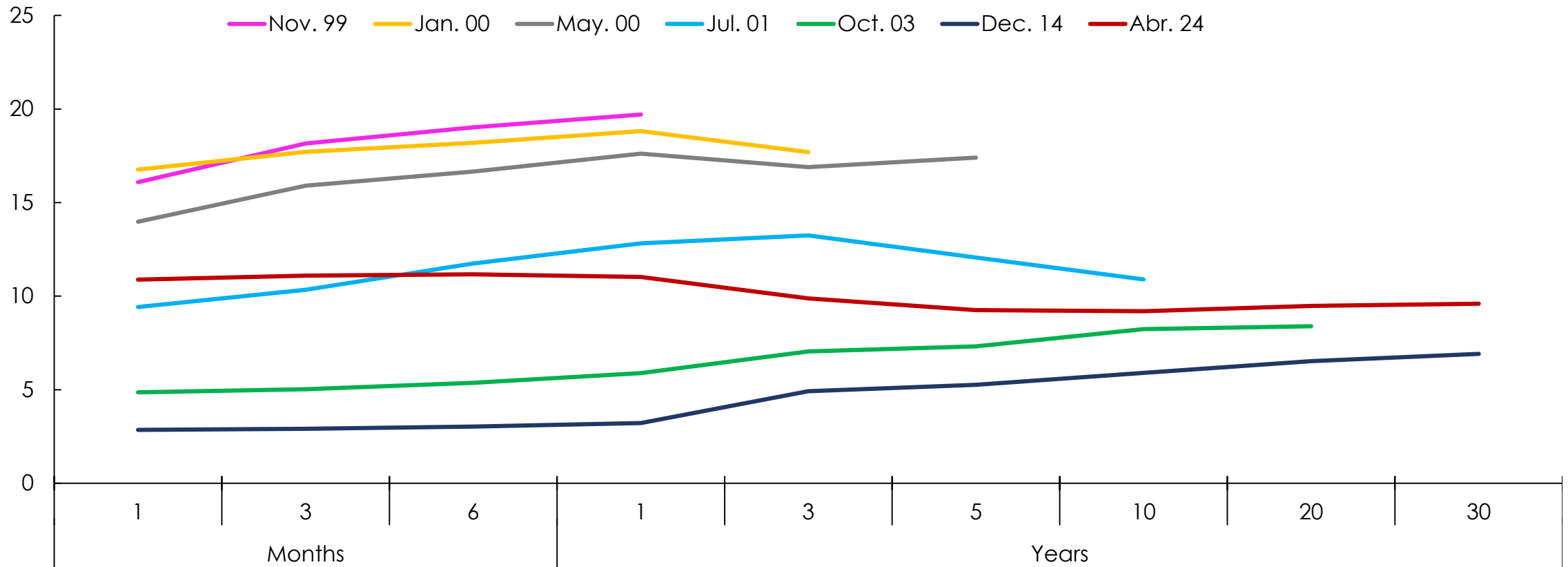
Billion Pesos



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## MARKET DEPTH – YIELD CURVE

In only a few years, the Mexican debt market has experienced an **outstanding growth**, extending the yield curve from **one year in 1999 to 30 years in less than a decade**. This extension was due to the rapid growth of more domestic and foreign participants, with various investment horizons and strategies.



# THE MEXICAN GOVERNMENT SECURITIES

## Local government securities issuances

Instrument	First issuance	Characteristics	Interest rate
<b>Cetes</b> <i>Federal Treasury Certificates</i>	Jan 19, 1978	Zero-coupon bonds	Yield rate referenced to discount rate
<b>Bonos</b> <i>Fixed-interest Federal Government Development Bonds</i>	Jan 27, 2000	182-day coupon	Fixed interest rate set at issue date
<b>Udibonos</b> <i>Federal Government Development Bonds denominated in Investment Units</i>	May 30, 1996	182-day coupon	Fixed interest rate set at issue date
<b>Bondes D</b> <i>Government Development Bonds</i>	Aug 17, 2006	28-day coupon	Daily "weighted-average interbank funding rate"
<b>Bondes F</b> <i>Government Development Bonds</i>	Oct 7, 2021	28-day coupon	Overnight equilibrium interbank interest rate (TIIE) collateralized
<b>Bondes G</b> <i>Sustainable Government Development Bonds</i>	May 4, 2022	28-day coupon	Overnight Equilibrium interbank interest rate (TIIE) collateralized

Source: Banco de México.

## Mexico's rating debt in local currency

Rating Agency	Rate	Outlook
<b>S&amp;P</b>	BBB	Stable
<b>Fitch</b>	BBB-	Stable
<b>Moody's</b>	Baa2	Stable

Source: S&P, Fitch and Moody's.



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# CETES (MEXICAN FEDERAL GOVERNMENT TREASURY CERTIFICATES)

- The Mexican Federal Treasury Certificates (CETES) are the oldest debt instrument issued by the Federal Government. These securities are zero-coupon bonds and are traded at a discount.
- **Face value is 10 Mexican pesos.** Currently, CETES are issued for **28- and 91-day terms**, and at maturities close **to six months, one and two years.**
- The **primary issue** is carried out through auctions, where participants present their bids for the amount they want to purchase and the discount rate they are willing to pay.

Source: Banco de México.

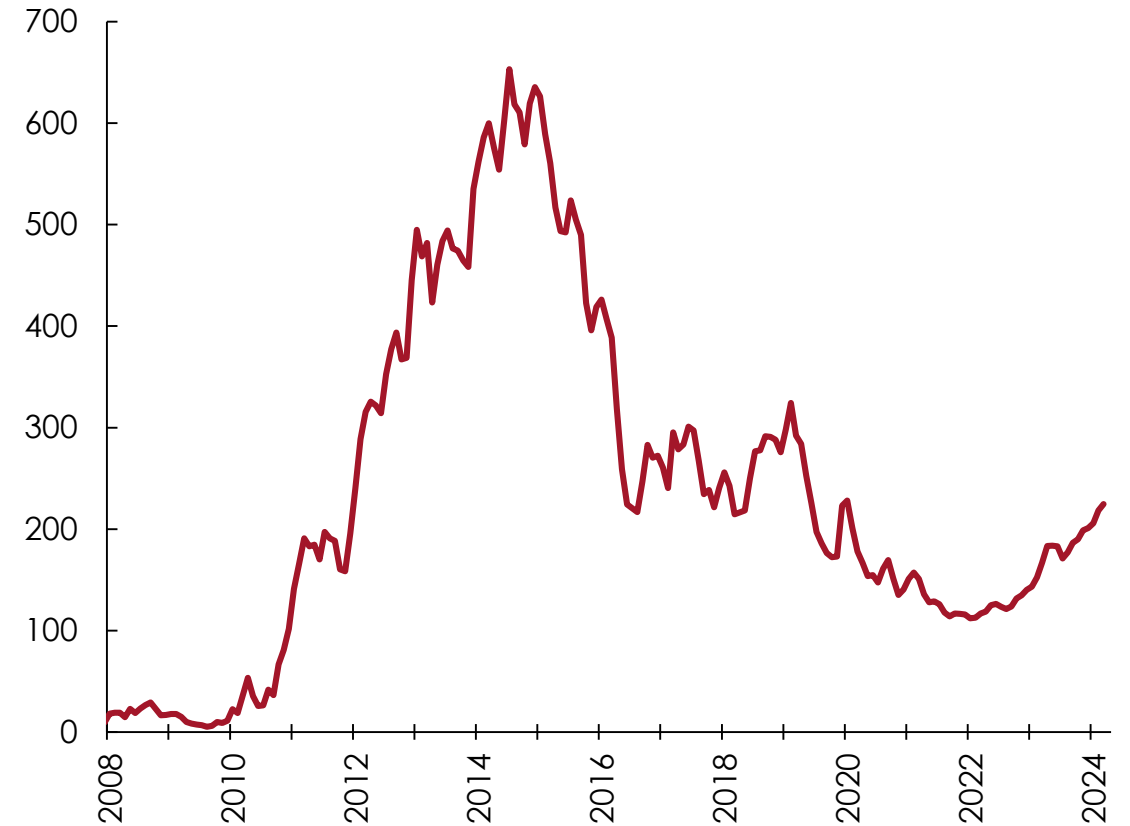
Cetes	
Face Value	10 MXN
Term	28, 91, 182 days and 1, 2 years
Coupon Frequency	Zero coupon
Interest Rate	Discount Rate
First Issuance (year)	1978
Outstanding Amount* (billions of MXN)	1,832.4
Outstanding Amount* (billions of USD)	109.1

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## BONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS WITH A FIXED INTEREST RATE

- In Mexico there is a broad **secondary market** for these securities. Today, it is possible to carry out outright sale and repo transactions as well as securities' lending transactions. CETES can also be used as underlying assets in derivative markets (futures and options in MEXDER and CME). CETES series are designed to be fungible.
- ID codes have eight characters. The first and second identify the security ("BI"), and the remaining six indicate the instrument's maturity date (year, month and day). The relevant number to identify a CETE is the maturity date.
- **Two CETES issued on different dates but maturing on the same date will have the same identification code**, and therefore cannot be recognized from one another.
- Example of series of CETES issued on August 24, 2000 for a 28-day term maturing on September 21, 2000: **BI000921**.

**Non-Residents' Holdings Cetes\***  
*Billion Pesos*



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

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# BONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS WITH A FIXED INTEREST RATE

- BONOS are issued for longer terms than one year. They **pay coupons every six months** and an **interest rate determined** upon issuance that remains **fixed** during the life of the instrument.
- Face value is **100 Mexican pesos** (a hundred pesos) and can be issued for any term, if this term is a multiple of 182 days. Nevertheless, currently, these securities have been issued for **3-, 5-, 10-, 20- and 30-year terms across the curve**.
- BONOS pay interest every six months (182 days).
- The **interest rate paid** is fixed by the Federal Government upon issuance and is specified to investors in the auction announcement. If a new reference is issued in the market, a prior notice is published.

Source: Banco de México.

Bonos	
Face Value	100 MXN
Term	3, 5, 10, 20, 30 years
Coupon Frequency	182 days
Interest Rate	Fixed on emission
First Issuance (year)	2000
Outstanding Amount* (billions of MXN)	4,413.5
Outstanding Amount* (billions of USD)	262.8

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

# BONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS WITH A FIXED INTEREST RATE

- The **primary issue** is carried out through auctions, where participants present their bids for the amount they want to purchase and the price they are willing to pay through a [market maker](#).
- In Mexico, there is a broad **secondary market** for these securities. Today, it is possible to carry out outright sale and repo transactions as well as securities' lending transactions. BONOS can also be used as underlying assets in derivative markets (futures and options), although up to now they have never been used as such.
- BONOS are **not fungible** unless they have the same interest rate. This is the reason the series is composed of eight characters. The first one identifies the security ("M"); second a blank space and the remaining six, the bond's **maturity date (year, month and day)**.
- Example of series for MBONOS issued on March 15th, 2019, for a 5-year term, maturing on September 9th, 2024: **M240905**.

**Non-Residents' Holdings M Bono\***  
*Billion Pesos*



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

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# UDIBONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS IN INVESTMENT UNITS

- Udibonos are investment instruments **that protect the holder from unexpected changes on inflation rate**. They are sold at long terms and pay interest every six months based on a real fixed interest rate which is determined on the issue date of each security.
- Face value is **100 UDIS (a hundred of investment units)** and have been issued at terms of **3-, 5-, 10-, 20- and 30 -years**.
- The securities **pay interest in pesos every six months** (182 days).
- The securities **pay a fixed interest rate** upon issuance of the securities, and it is specified to investors in the auction announcement.

Source: Banco de México.

Udibonos	
Face Value	100 UDIS
Term	3, 10, 30 years
Coupon Frequency	182 days
Interest Rate	Fixed on emission
First Issuance (year)	1996
Outstanding Amount* (billions of MXN)	3,282.2
Outstanding Amount* (billions of USD)	195.5

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.



# UDIBONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS IN INVESTMENT UNITS

- For the purposes of the placement, interest payments and amortization, **the conversion to domestic currency is made at the value of the UDI** in the day that the corresponding payments are made. The UDIs values can be check in the [Central Bank's website](#).
- Today, it is possible to carry out outright sale and repo transactions as well as securities lending transactions with these securities. They can also be used as underlying assets in derivative markets (futures and options), although up to now they have never been used as such.
- **Udibonos are not fungible** unless they pay the same interest rate. For this reason, the issuance identification code is made up of **eight characters**. The first identifies the security ("S"), second blank space and the remaining six, to indicate its **maturity date (year, month, day)**.
- Example of an identification code for an Udibono issued on January 17, 2020, at a term of 3 years and maturing on November 16, 2023: **S231116**.

Non-Residents' Holdings Udibonos\*  
Billion Pesos



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

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# UDIBONOS: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS IN INVESTMENT UNITS

- The Mexican Federal Government decided to issue Mexican Federal Government Development Bonds (Bondes D) to improve the structure through floaters linked bonds.
- **Face value is 100 Mexican pesos** and can be issued for any term if the maturity is a **multiple of 28 days**. Currently, they are issued for **1 to 5-year terms**.
- The securities accrue interest every month (28 consecutive days - holidays not included).
- This instrument is broadly traded within credit institutions and brokerage houses through outright sales and repo transactions.
- Fixing rate is known in the market as **the weighted-average inter-bank funding rate (BFR)** and is calculated and published every day by the Central Bank on its website.

Source: Banco de México.

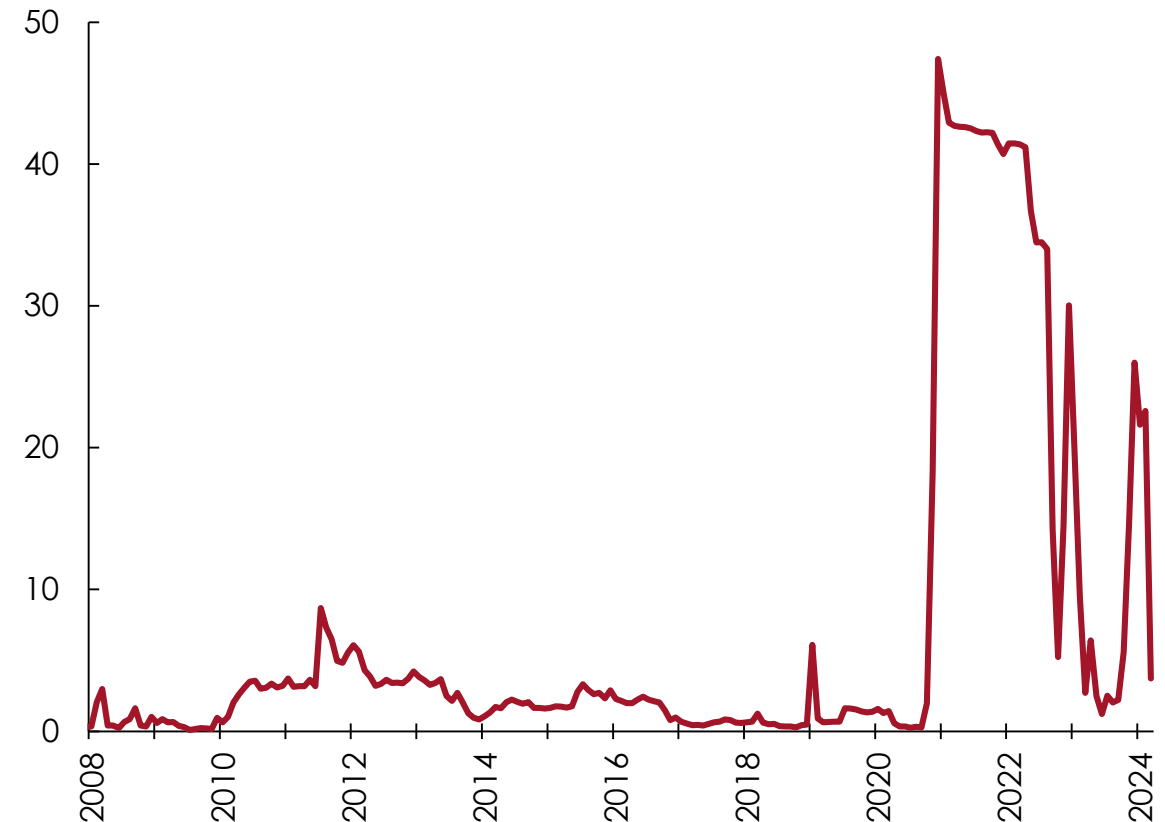
Bondes D	
Face Value	100 MXN
Term	1, 3, 5 years
Coupon Frequency	28 days
Interest Rate	Overnight interbank funding rate
First Issuance (year)	1987
Outstanding Amount* (billions of MXN)	325.6
Outstanding Amount* (billions of USD)	19.4

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## BONDES D: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS

- Bondes D series are designed to be fungible.
- Identification codes have eight characters. The first two identify the title (“LD”) and the remaining six, the title’s maturity date (year, month and day). The relevant number used to identify a Bondes D is the maturity date. This means that **two Bondes D issued on different dates but maturing on the same date will have the same identification code**, and therefore cannot be distinguished from one another.
- Example of series for Bondes D issued on July 27, 2006 for a 3-year term maturing July 23, 2009: **LD090723**.
- It is important to point that **auctions are carried out at a clean price** (with no accrued interest).
- **The last auction of BONDES D was on Sep-2021.**

**Non-Residents’ Holdings Bondes D\***  
*Billion Pesos*



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## BONDES F: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS

- Following best practices and recommendations released by the FSB and the BIS, Mexico decided to issue government debt securities referenced to new benchmark rates promoting transparency and consolidation of its debt local market.
- Bondes F series are designed to be fungible. Interest rate is known in the market as **Overnight Equilibrium Interbank Interest Rate (TIIE) collateralized** and is calculated and published every day by the Central Bank on its website.
- **Face value is 100 Mexican pesos** and can be issued for any term if the maturity is a **multiple of 28 days**. Currently, they are issued for **1 to 5-year terms**.
- These features are similar to BONDES D. Main difference is the benchmark rate used to accrue interests, in arrears.
- The securities accrue interest every month (28 consecutive days - holidays not included).

Source: Banco de México.

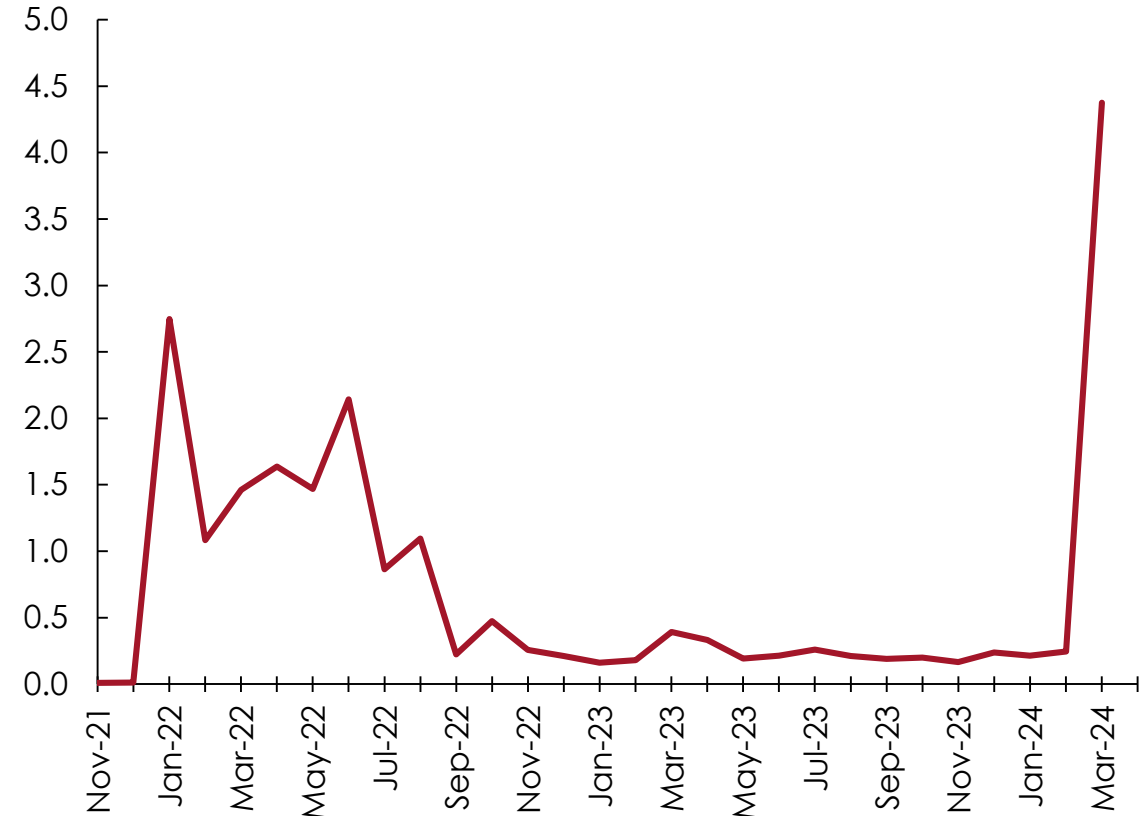
Bondes F	
Face Value	100 MXN
Term	1 to 5 years
Coupon Frequency	28 days
Interest Rate	Overnight Equilibrium interbank interest rate (TIIE) collateralized
First Issuance (year)	2021
Outstanding Amount* (billions of MXN)	1,997.0
Outstanding Amount* (billions of USD)	118.9

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

## BONDES F: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS

- Identification codes have eight characters. The first two identify the title (“LF”) and the remaining six, the title’s maturity date (year, month and day). The relevant number used to identify a Bondes F is the maturity date. This means that **two Bondes F issued on different dates but maturing on the same date will have the same identification code**, and therefore cannot be recognized from one another.
- **BONDES F was auctioned starting in October 2021.**
- **It’s expected that over time this instrument will entirely replace the issuance of BONDES D.**

**Non-Residents’ Holdings Bondes F\***  
*Billion Pesos*



Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.

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## BONDES G: MEXICAN FEDERAL GOVERNMENT DEVELOPMENT BONDS

- Mexico decided to issue public debt securities aligned with environmental, social and corporate governance criteria, as part of the strategy to comply with the **UN Sustainable Development Goals (SDG)**.
- **Face value is 100 Mexican pesos** and can be issued for any term if the maturity is a **multiple of 28 days**. Currently, they are issued for **1 to 10-year terms**.
- The securities accrue interest every month (28 consecutive days - holidays not included).
- Identification codes have eight characters. The first two identify the title (“LG”) and the remaining six, the title’s maturity date (year, month and day). The relevant number used to identify a Bondes G is the maturity date. This means that **two Bondes G issued on different dates but maturing on the same date will have the same identification code**, and therefore cannot be recognized from one another.

Source: Banco de México.

Bondes G	
Face Value	100 MXN
Term	1 to 10 years
Coupon Frequency	28 days
Interest Rate	Overnight Equilibrium interbank interest rate (TIIE) collateralized
First Issuance (year)	2022
Outstanding Amount* (billions of MXN)	73.4
Outstanding Amount* (billions of USD)	4.4

Note: Data as of March 21<sup>st</sup>, 2024.  
Source: Banco de México.



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# HEDGE OF GOVERNMENT SECURITIES: MEXDER AND CME

- The local futures market will give coverage of risk and anticipate interest rate movements, because in the BONDES F, the final coupon calculations will be made in reference to overnight F-TIIE rates to each day in the coupon period.
- CME and MEXDER have mirrored in the future contracts F-TIIE. This will come in handy by using the futures to effectively hedge changing overnight F-TIIE.
- The local futures market will have a positive influence as it has a curve with collateral in pesos that reflects interbank market conditions, taking overnight bank funding as a reference. This will benefit investors and open doors to new participants.

Source: Banco de México.

Timeline	
<b>January 2021</b>	BANXICO publish daily rate of F-TIIE.
<b>February 2021</b>	Launch of 1 month Future contract of F-TIIE in MEXDER.
<b>May 2021</b>	Launch of monthly F-TIIE Future contract in CME.
<b>October 2021</b>	Launch of new BONDES F
<b>May 2022</b>	Launch of new BONDES G

Note: Data as of February 23<sup>rd</sup>, 2024.  
Source: Banco de México.

## REFERENCES

- [Technical description for Cetes \(Mexican Federal Treasury Certificates\)](#)
- [Technical description for Bonos \(Federal Government Development Bonds with a fixed interest rate\)](#)
- [Technical description for Udibonos \(Federal Government Development Bonds denominated in inflation-indexed investment units, UDIS\)](#)
- [Technical description for Bondes D \(Federal Government Development Bonds\)](#)
- [Technical description for Bondes F \(Federal Government Development Bonds - TIIIE\)](#)
- [Technical description for Bondes G \(Federal Government Development Bonds\)](#)

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## TECHNICAL DESCRIPTION

*Last update: April 5<sup>th</sup>, 2024*



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