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## **PRESS RELEASE**

### **CHANGES TO SIEFORES' INVESTMENT REGIME**

#### **HIGHLIGHTS:**

- ? On Friday the 30<sup>th</sup>, CONSAR's<sup>1</sup> Board of Directors approved three changes to the Investment Regime applicable to Afores' investment vehicles or Siefores:
  1. Set up a "family of funds": There will be two Siefores that will offer workers different investment alternatives for their mandatory contributions in accordance with individuals' investment profile and preferences.
  2. Allow the investment in Principal Protected, Equity Linked, Notes (PPN): Only one of the two Siefores of each Afore will be allowed to invest in PPN.
  3. Allow investments in International Securities: Both Siefores will be allowed to invest in international securities.

#### **SPECIFICS:**

##### **Family of funds**

- ? Approved guidelines establish a family of funds conformed by two Siefores:
  - ? Siefore Básica 1 (SB1), will invest only in debt securities. The rule that establishes a 51% minimum investment of the portfolio in inflation<sup>2</sup> protected securities will apply to the SB1,
  - ? Siefore Básica 2 (SB2), will invest in debt securities and in equities through Principal Protected Notes (PPN) linked to indexes. The actual Siefores will become Siefores Básicas 2.
- ? Before the Siefores Básicas 2 invest in PPN, workers will have 60 days to notify their Afores if they wish to switch to the Siefores Básicas 1. After that period, workers will have the right to transfer their savings between Siefores of a given Afore at any time and without any cost.
- ? Two groups of workers won't have the option to invest in Siefores Básicas 2, thus their savings will be transferred to the Siefore Básica 1:
  - ? Workers older than 55 years, and
  - ? Individual accounts assigned by CONSAR, on behalf of workers that haven't been affiliated by an Afore.

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<sup>1</sup> Regulatory Agency of the Mexican Private Sector Pension System

<sup>2</sup> Measured by the Consumer Price Index for Mexico

## **Principal Protected, Equity Linked, Notes (PPN)**

- ? Siefos Básicas 2 will be allowed an exposure to local and international equities up to 15% of their total portfolio through PPN's. The investment in equities will be permitted through a passive management strategy following indexes shown in Appendix A. The exposure to international indexes will be considered both, in the 15% limit, and within the international securities limit.

## **International Securities**

- ? Siefos will be allowed to invest up to 20% of their portfolio in international securities. Permitted debt securities must be issued by:
  - ? Governments, Central Banks and governmental agencies of countries members of the Technical Committee of the IOSCO or the European Union,
  - ? Corporations, as long as the securities are issued in a market under the regulation of any country member of the Technical Committee of the IOSCO or the European Union, and
  - ? Multilateral financial entities (i.e. IDB or The World Bank, etc).
- ? The minimum investment grade required for debt instruments issued by international entities will be "A-" on the Global Scale. A 5% limit per issuer applies.
- ? Siefos will access international securities markets directly or through asset managers via separated accounts. In the latter case, advisory and management fees will be borne by the Afores. Asset managers hired are forbidden to do transactions on behalf of the Siefos with related parties of their own or of the Afore.
- ? Each Afore must have one custodian to take care of its international securities. Eligible custodians must be rated "A-" on the Global Scale. Custody costs will be paid by the Afores.
- ? These changes to the Investment Regime will become operational in December 2004, when all legal processes are finished and Afores' custodians are ready to transmit to CONSAR Siefos' daily positions and transactions.
- ? Investments in PPN and international securities are expected to take place gradually, as experiences in other similar systems demonstrate.

## Appendix A

Country	Index
Australia	ASX 50
Belgium	BEL20
Canada	TSX
France	CAC 40
Germany	DAX, HDAX
Holland	AEX
Hong Kong	HANG SENG
Ireland	ISEQ
Italy	MIBTEL y MIB30
Japan	NIKKEI, TOPIX
Luxemburg	Luxembourg Stock Price Index
Mexico	IPC
Portugal	BVL
Spain	IBEX-35 IGBM BCN Global-100 LATIBEX TOP LATIBEX
Switzerland	SMI, SPI
United Kingdom	FTSE 350 FTSE 250 FTSE 100
United States	AMEX Composite Dow Jones Industrial Average Dow Jones Composite Average Dow Jones Global Titans 50 Dow Jones Global Titans 50 Euro Dow Jones Global 1800 Dow Jones Style Indexes Dow Jones Stoxx 50 Dow Jones Euro Stoxx 50 Fortune 500 Nasdaq Composite NYSE Composite NYSE International 100 Standard and Poors Global 100 Standard and Poors Global 1200 Standard and Poors 100 Standard and Poors 500 Standard and Poors 700 Standard and Poors 400 MidCap Standard and Poors 600 Small Cap Standard and Poors 1500 supercomposite Standard and Poors Europa 350 Standard and Poors TOPIX 150 Standard and Poors TSX 60 Standard and Poors Asia 50 Russell 3000 Wilshire 5000

Sub-indexes of the indexes mentioned above are also allowed.